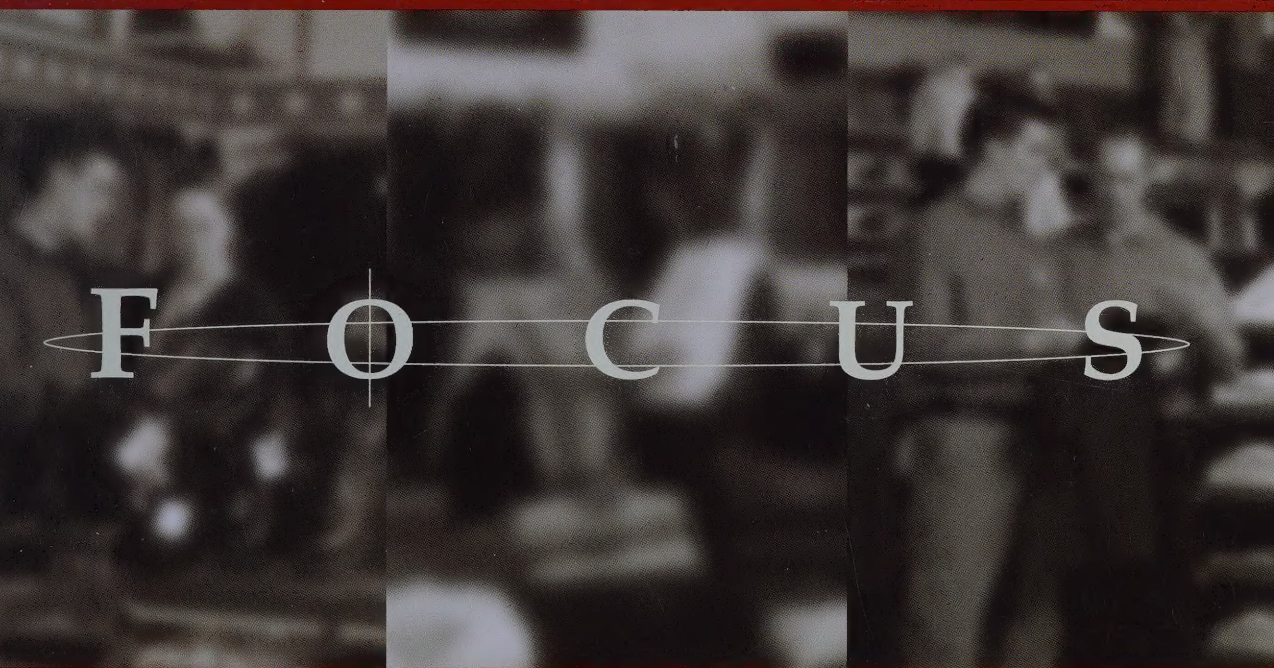
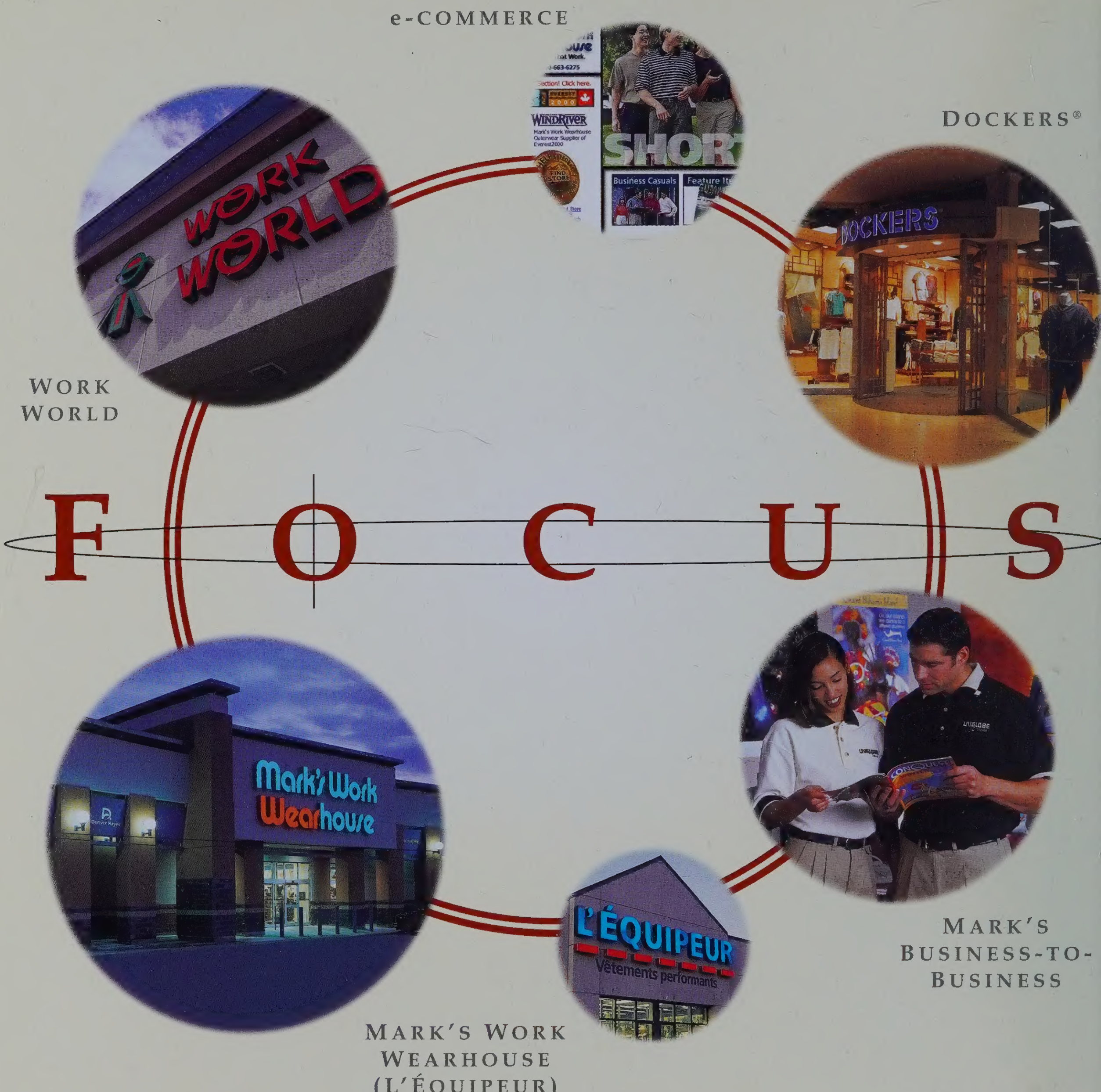


MARK'S WORK WEARHOUSE LTD.

ANNUAL REPORT FOR THE YEAR ENDED JANUARY 29, 2000



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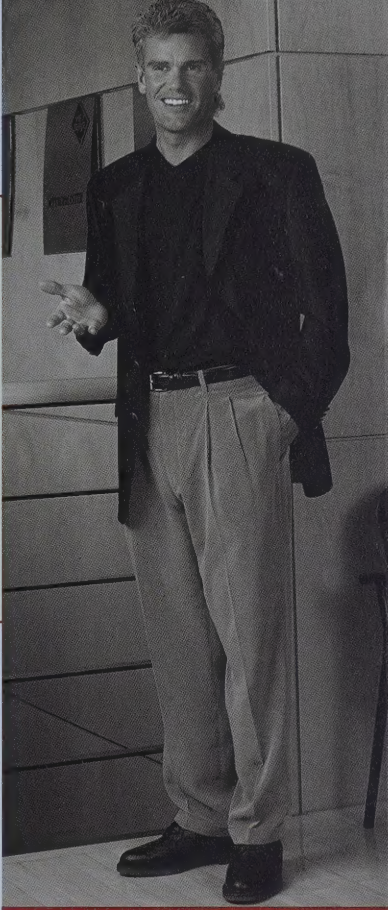
MISSION STATEMENT

Our mission is to grow consistently as a mature and stable enterprise known for: • being the most customer-sensitive and responsive specialty retail organization in the markets within which we operate; • having a people-oriented work environment where our people are allowed the greatest possible freedom to carry out their responsibilities, take ownership of what they do, have fun, learn and earn fair financial rewards; and • providing a superior financial return to investors as a result of being customer-driven and people-oriented.



FOCUS

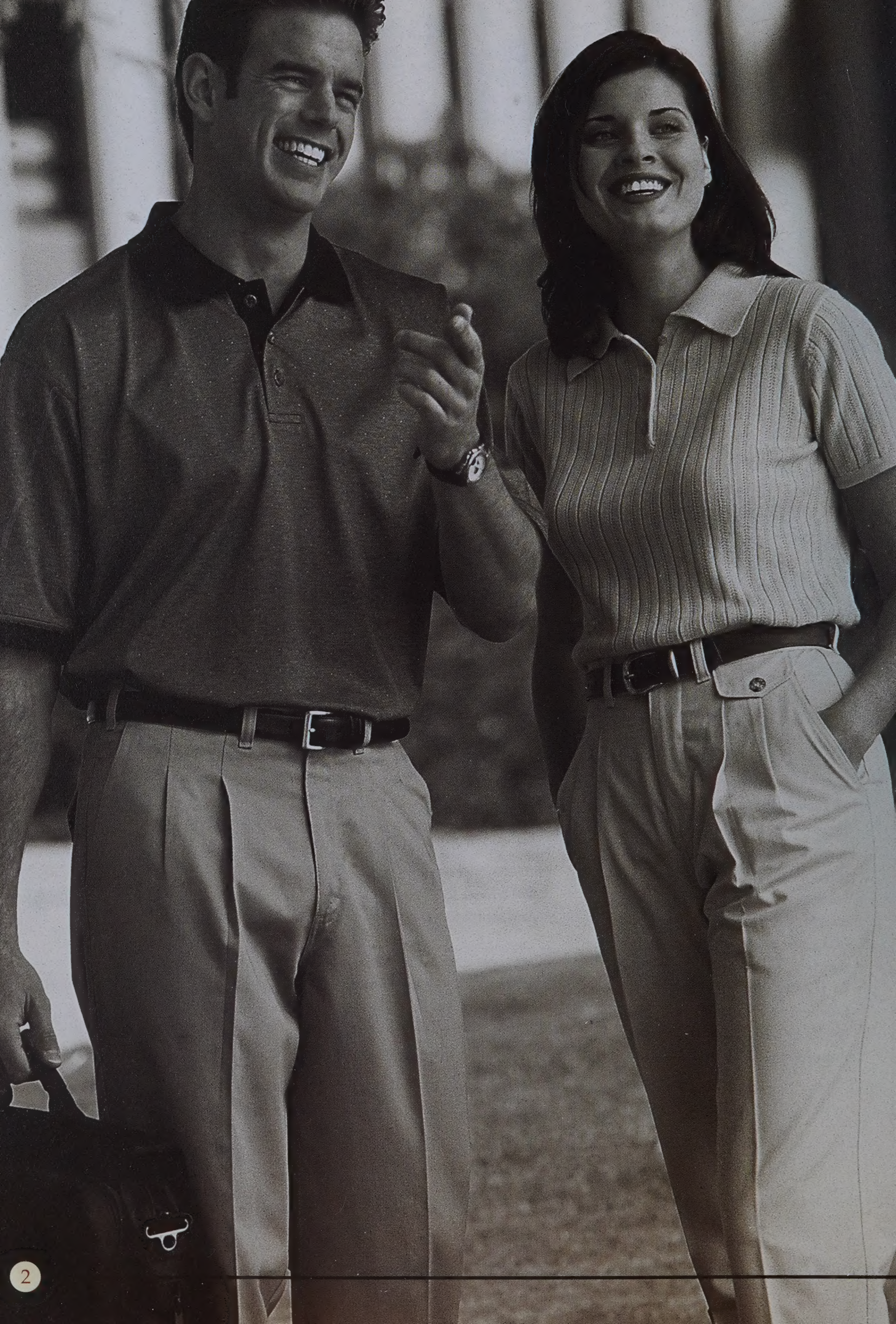
The theme of this year's annual report is FOCUS. It was selected as a theme because it provides us with an opportunity to describe events to you on two fronts.

First of all, as we report on the business issues in the year just completed, we are able to demonstrate how we managed to stay focused on many of the essentials of our business even though the year unfolded in a manner that we did not plan. The fall season of 1999 has been described as the most disruptive time period in apparel retailing that anyone can remember. For our Company, there were two major influences – the effects of the bankruptcy of Eaton's and, once again, a winter season that was mild and late in arriving. By staying focused on all of its business fundamentals, the Mark's Division, our largest and most important profit generator, met these challenges and made its profit targets despite missing its sales plans. The Work World and DOCKERS® Stores Divisions were unable to adjust as quickly to their missed sales targets and the entire drop from our total Company plans in the past year came from these two divisions.

Second, by choosing FOCUS as a theme, we have the framework to describe to you how our Company in total and each one of our divisions in particular views their growth opportunities and what we need to focus on to ensure that we deliver our promises. We have many real opportunities for growth and we have the strength in our organization to make it happen.

In summary, we are focused on fundamentals, we are focused on opportunities, and we are focused on performance.

Our primary focus is on our customers. A key growth area for all divisions is with business casual customers who have an increasing need to dress both casually and professionally in the workplace.



We remain focused on financial performance and on providing a superior financial return to investors. For the year ended January 29, 2000, the Company's consolidated EBITDA increased 15.7% to $26.3 million.

SUMMARY

This summary provides a brief overview of our Company's progress in fiscal 2000. You will find a comprehensive review of operations and complete financial information in the balance of this annual report.

Fiscal 2000 Highlights

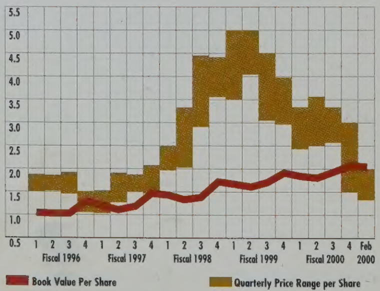
- The Company's consolidated EBITDA increased 15.7% to $26.3 million from $22.7 million.
- The Company's total system sales grew by $20.2 million or 4.8%, outperforming its market segments within the retail sector, namely men's clothing stores (2.3% decline), total men's market (2.9% increase), shoe stores (2.6% decline) and women's clothing stores (1.9% increase).
- The Company's Business-to-Business sales from corporate stores grew by 17.2% in fiscal 2000 over fiscal 1999 on top of 16.4% growth in fiscal 1999 over fiscal 1998.
- The Company recorded exceptional corporate store sales growth in fiscal 2000 over fiscal 1999 in ladies' wear (49.9% increase) and men's casual bottoms (45.4% increase).
- The Company's Mark's Division pre-tax earnings before goodwill amortization improved by $2.4 million or 8.9%.
- The Company's Mark's Division generated $10.2 million or 66.6% of its corporate sales increase from new "On Concept" stores added in fiscal 2000.
- The Company's Mark's Division generated $13.3 million or 86.7% of its corporate sales increase during the Company's marketing campaigns.
- The Company more than doubled its Work World corporate store sales as the Company focused on a corporate-owned store strategy.
- The Company launched its DOCKERS® test by opening five DOCKERS® stores in the second half of fiscal 2000. This new Division will open three more test stores in fiscal 2001.
- The Company improved its consolidated corporate store gross margin rate to 40.6% from 40.3%, despite operating in a difficult environment in the second half of the year (the Eaton's liquidation and the lack of winter weather).
- For the third year in a row, the Company was honoured to have been awarded The National Post "Award of Excellence" for the best Annual Report in Canada, as well as the Merchandising category Gold Medal.

QUARTERLY FINANCIAL INFORMATION

(dollar amounts in thousands, except per share)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Fiscal 2000					
Corporate and franchise sales	$ 79,407	$ 87,931	$ 107,175	$ 163,157	$ 437,670
Corporate sales	$ 57,235	$ 62,736	$ 77,146	$ 117,430	$ 314,547
Earnings (loss) before income taxes and goodwill amortization	$ (1,853)	$ (554)	$ 1,884	$ 13,208	$ 12,685
Net earnings (loss)	$ (1,193)	$ (461)	$ 874	$ 7,167	$ 6,387
Earnings (loss) per Common Share before goodwill amortization	(4)¢	(1)¢	3¢	26¢	24¢
Earnings (loss) per Common Share	(4)¢	(2)¢	3¢	26¢	23¢
Fiscal 1999					
Corporate and franchise sales	$ 73,292	$ 79,419	$ 101,697	$ 163,060	$ 417,468
Corporate sales	$ 48,419	$ 51,686	$ 67,336	$ 115,960	$ 283,401
Earnings (loss) before income taxes and goodwill amortization	$ (1,599)	$ (1,936)	$ 2,105	$ 12,742	$ 11,312
Net earnings (loss)	$ (1,131)	$ (1,122)	$ 1,025	$ 6,980	$ 5,752
Earnings (loss) per Common Share before goodwill amortization	(4)¢	(4)¢	4¢	26¢	22¢
Earnings (loss) per Common Share	(4)¢	(4)¢	4¢	25¢	21¢
Fiscal 1998					
Corporate and franchise sales	$ 65,024	$ 76,740	$ 100,261	$ 160,182	$ 402,207
Corporate sales	$ 39,332	$ 47,270	$ 63,019	$ 102,395	$ 252,016
Earnings (loss) before income taxes and goodwill amortization	$ (2,369)	$ (1,939)	$ 1,750	$ 15,230	$ 12,672
Net earnings (loss)	$ (1,516)	$ (1,212)	$ 835	$ 8,444	$ 6,551
Earnings (loss) per Common Share before goodwill amortization	(5)¢	(4)¢	3¢	31¢	25¢
Earnings (loss) per Common Share	(6)¢	(4)¢	3¢	31¢	24¢

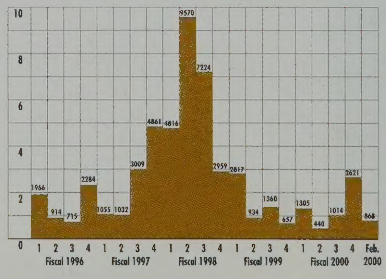
Five-Year Market Value by Quarter

(dollars)



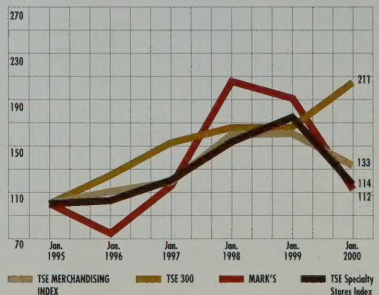
Five-Year Volume of Shares Traded

(volumes in thousands)



Five-Year Share Performance

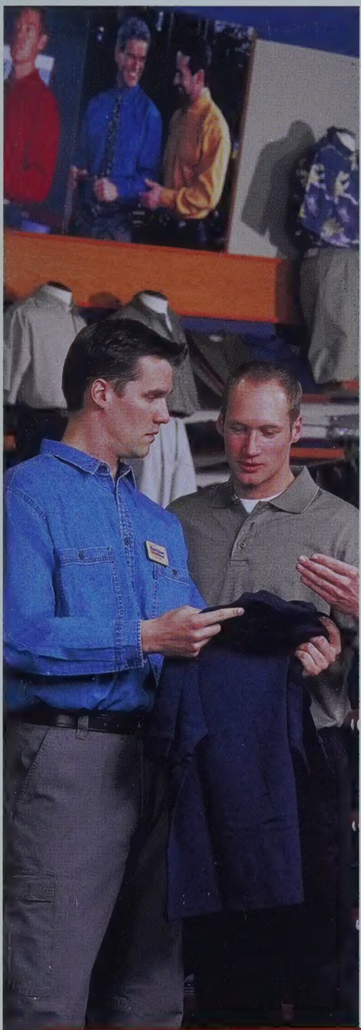
(based on a base of 100)



FOCUS

ON CUSTOMERS

The Company's divisions are focused on building their respective customer bases and on creating shareholder value over time through increasing revenues and earnings, while honouring the Company's three core values: • product integrity, • respect for people, and • continuous improvement.



MARK'S DIVISION (L'ÉQUIPEUR)

With almost 25 years of history, over 150 stores across Canada and private label merchandise with market shares exceeding most national brands, the Mark's Division is broadly established and successful.

In the Mark's Work Wearhouse and L'Équipeur stores, the Company not only focuses on providing work apparel for both industrial and business casual consumers, but is also a market leader in merchandise designed for casual and outdoor pursuits. The consumer base is very broad and includes meaningful market penetration across all age, gender and income levels.

Interestingly this broad appeal can be further leveraged by the organization's ability to be very focused in exploiting and managing specific opportunities. In 1999, while delivering less than its planned sales in total, the division was able to bring applied resources and focus to several specific operating initiatives that contributed overall to a divisional contribution on its plan. These specific areas of focus will continue into the future and in turn become part of the division's broader base of operations.

Mark's will remain focused on real estate opportunities that allow it to broaden its base of "On Concept" stores through new store openings and relocations of existing stores. Additionally, store layouts and fixtures that have proven successful in the newer stores will be retrofitted into existing stores where Mark's is happy with the location.

Inside the stores there will be increasing square footage and assortment dedicated to focusing on business casual wardrobes for men and women, as well as product development and innovation in the industrial apparel and footwear categories. These continuous improvements are planned and executed through an efficient system of accountability including strong local store management reporting into regional operations. In parallel, the division's buying office plans and develops the assortments under the direction of the Senior Vice President, Merchandising. Both groups in turn report to the divisional Chief Operating Officer.

Outside the store the division remains focused on the creation of ever-better marketing campaigns, its directed "Business-to-Business" initiatives, and its continuing development of e-Commerce.

These internal and external strengths and focuses allow the division to plan continued growth in its customer appeal, and therefore its financial contribution.

The following chart shows how the division breaks down into districts:

	Regions	Districts	Corporate Stores	Franchise Stores	Total
Mark's Work Wearhouse (L'Équipeur)	Western Canada/NWT	7	50	11	61
	Ontario	9	50	9	59
	Quebec/Atlantic*	5	27	9	36
	Total	21	127	29	156

* Mark's 18 corporate and three franchise stores in Quebec operate under the name L'Équipeur.

Work World Division

Work World is a national chain of stores that are typically 3,000 square feet in size located in smaller markets in convenient locations such as malls. The division is focused on providing its customers with apparel and footwear that they intend primarily to wear to work. In the three years since the business was purchased, Work World has evolved from being a total franchise organization to one where almost one-third of the stores are now corporately owned.

The Work World Division has three main focus areas. First, the division is focused on continuing to improve its merchandise assortments and gross margin. Over the past three years many new successful items have been added to the store's assortments. This will continue to happen at an accelerated rate. The divisional management is excited about the fact that 2000 (fiscal 2001) will be the first full year where the technology exists to obtain detailed stock information from its corporate stores. This information will considerably improve purchasing and inventory control decisions. There is a big opportunity in continuing to drive the growth and development of private label merchandise. Private label currently represents approximately 40% of Work World's assortment. The division's intention is to move the assortment of private label from 40% to 70% over time. This will have a positive impact on both sales and gross margin.

Second, will be a focus on continuing to improve communication and standards. The division will complete the implementation of a district manager structure in 2000 (fiscal 2001) encompassing all stores. In addition, the franchise group will become an even closer part of the day-to-day operations and decision-making process of the business. This will benefit all stores by more quickly disseminating new ideas and helping to capture the wealth of knowledge accumulated over the years by the franchise group.

Third, the division sees an opportunity to significantly expand the number of stores operating outside of western Canada. In its most recent fiscal year, nearly 75% of the Work World stores operated in the west. Over time the division has the opportunity to add as many as 100 additional stores, the majority of which will be in the province of Ontario. Although not reflected in the current year's results, the division believes it can deliver better financial returns over time through a "Corporate Store Strategy," and thus the new stores will be opened as corporate. While not increasing the overall number of stores in the division, the number of corporate stores can also be increased through the buy back of successful franchise stores when offered up for sale.

The following chart shows how the division breaks down into districts:

	Regions	Districts	Corporate Stores	Franchise Stores	Total
Work World	B.C./Yukon/NWT	5	24	36	60
	Prairies	3	9	39	48
	Ontario	3	10	20	30
	Atlantic	1	2	7	9
	Total	12	45	102	147

DOCKERS® STORES DIVISION

The DOCKERS® Stores Division opened its first five test stores in fiscal 2000. The division's focus is to enhance and expand upon the existing positioning of the very successful DOCKERS® brand as the premier brand for classically and fashionably styled khaki pants, while enhancing the tops and related wardrobe items, all targeted to urban customers.

The business formula for the DOCKERS® Stores Division is to have an equal blend of men's and women's products and an equal blend of tops and bottoms in a single specialty store environment that also includes footwear, outerwear and related accessories. The business formula also requires that sales per square foot track to mall averages over time and that the gross margin tracks to 40% over time. The merchandise is targeted to young and early middle-aged consumers who require casual dress solutions and, most importantly, need to respond to the ever-increasing trend to dress casually and professionally at their workplace. The test stores are located in desirable locations in major malls in large and mid-size markets and are 3,000 to 4,000 retail square feet in size.

These DOCKERS® Stores differentiate themselves from a "Dockers Shop" in a typical department store in that the DOCKERS® Stores offer three to four times the physical space and assortment of merchandise and over one-third of the products offered, and more on a go-forward basis, are unique and exclusive to the DOCKERS® Stores Division.

Dressing more casually is a reality in the workplace in North America and underscores this division's largest opportunity and primary focus. Almost all new job creation is occurring in service and technically oriented companies where business casual dressing every day is the norm. This trend is further supported by the daily reports that traditionally white collar businesses are opting for a more casual dress code.

After the completion of the test phase for this division, the opportunity exists to increase the number of locations in Canada to as many as 150 stores.

MARK'S DIVISION, BUSINESS-TO-BUSINESS

Business-to-Business sales have been a competency at Mark's long before "Business-to-Business" became a timely cliché. In the early development of the Mark's Division, store associates targeted other local businesses and provided them with uniform and custom-embroidered apparel. This business today has evolved into a national sales force exceeding 30 professional "on-the-road" sales account managers who service the corporate wear needs of major corporations, public sector service providers and small businesses. This department has increased its sales by over 35% in the past two years through the development of some very focused initiatives that will continue through the coming years.

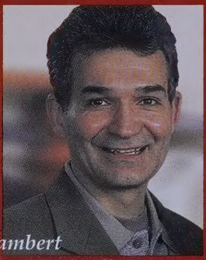
Mark's Business-to-Business department will continue to add to its sales force in order to keep up with the demand for increased volume from the existing account base, and also to pursue new business across Canada. As well, this business unit is focused on continually improving the fulfillment process through the Mark's network of stores, the division's well-developed supply chain, and also through real-time, web-based systems that offer superior solutions for business customers.

In addition to the rapidly growing sales this department has generated, it also influences increased consumer sales by introducing the store's assortments to the many corporate account customers who visit our locations while fulfilling their uniform needs. The combination of increased business to our corporate accounts and increased traffic to the Mark's Division's stores is a key factor in Mark's future planning.

FOCUSED

PRESIDENT'S MESSAGE TO SHAREHOLDERS

Our senior management team is strong and deep, and is clearly focused on maximizing our opportunities.

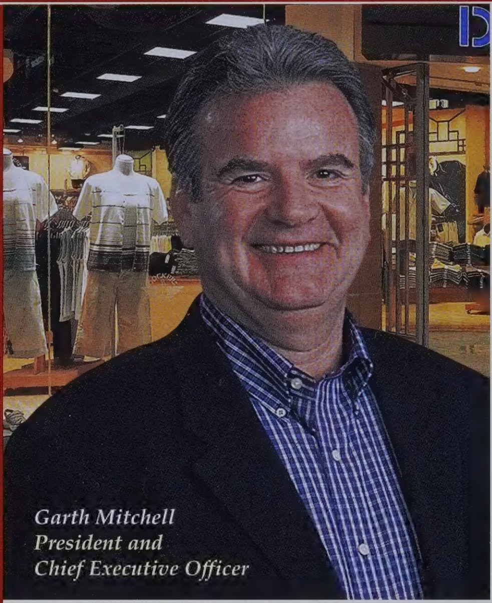


Mike Lambert
Chief Financial Officer

Paul Wilson
Chief Operating Officer, Mark's Division

Michael Strachan
Chief Operating Officer, Work World Division

Cathy Prosser
General Manager, DOCKERS® Stores Division



Garth Mitchell
President and Chief Executive Officer

In most types of endeavors, it is a healthy sign when a team or organization has the ability to remain focused when faced with circumstances that force variations to the game plan. This is certainly true in the competitive world of apparel retailing and, in the 1999 calendar year, our sector did face some unusual circumstances. The details of these events, and the responses to them by your management team, are covered in this report. In summary, however, inside our organization we were satisfied with our ability in the Mark's Division to stay focused on our objectives and to meet our profitability targets in what was for us a difficult second half. We did not perform as well in that regard in the Work World Division, and the steps we have taken to remedy this are already beginning to show up in calendar 2000 results.

Last year, total retail sales in Canada grew by 5.8% to $260 billion. The businesses we are in, apparel and footwear, grew by 3% to nearly $21 billion. Our business did a little better than that, growing by almost 5% to $438 million. We are not used to being that close to average and we don't like it. We had planned to do more, but after a good start to the year, we had a mediocre second half. Going forward, we are accelerating the strategies that mitigate the seasonal risks to our sales and earnings. We can't completely eliminate

these risks, as it is important we continue to be regarded by our customers as Canada's cold weather experts. However, by going after the opportunities that are less seasonally dependent in both the Business-to-Business and "new economy" apparel markets, we don't give up our seasonal businesses, but we grow around them and make them a smaller percentage of our total sales.

This section of an annual report frequently contains messages to shareholders reaffirming the Company's commitment to increasing shareholder value. Since the majority of management are also shareholders, increasing shareholder value is obviously highly desired by all of us. The current performance of the specialty stores sector of the stock market is a concern, especially since our share price in the past year has mirrored the performance of that index. For many members of the management team, the decline in our share price has seriously eroded personal net worth, and we are determined to turn that around. Having said all that, it must be declared that our primary area of focus and dedication is to our customers. We are committed to them, for we know that the only way we will have sustainable growth and prosperity is to be valued by those we serve. To accomplish that, each one of our divisions has defined its own relationship with its customers in a way that best suits those customers, while maintaining our corporate core values as they implement their strategies. We have a real business with these customers, with real sales and real opportunities, and we are focused on growing this business — every day. Smoke and mirrors are not part of our growth strategies.

One of the strengths of our Company is the experience and dedication of our Board of Directors. They are a proactive group of hard-working individuals and are valued by our management team for their insight and guidance. This year, two of our Board members will be retiring. Wallace Murray has been a Director for 18 years, and his experience as a merchant has been very helpful in keeping us focused on the more important aspects of our business, our customers. Bill Hardstaff has been a Director for 14 years, and his senior executive skills and experience have helped guide us in areas of governance, compensation, and strategy. On behalf of all stakeholders of the company, I'd like to thank Wallace and Bill for their hard work and dedication. The Company would not be where it is today without you, and on a personal level we will all miss you.

As we look to the future, we are enthusiastic about what we see. We have a solid business foundation from which to grow and we have laid the framework for that growth. We like the business we are in and we believe in its future. We have sophisticated systems, stores that work, great employees, and overall, a reliable group of suppliers for our products. Our senior management team is strong and deep, and is clearly focused on maximizing our opportunities. As you go through this report and become more familiar with the details, I am sure you will share our enthusiasm.

Garth Mitchell

Garth Mitchell
President and Chief Executive Officer

HUMAN RESOURCES MANAGEMENT & PERFORMANCE

We focus on having a people-oriented work environment which emphasizes comprehensive training and a flexible, responsive performance based Human Resources Management system which encourages strategic personal goal setting.

FOCUS ON EXCELLENCE

Meeting the competitive challenges of globalization, technological change and growth requires that our Company know more, create more, learn faster and communicate better. Now that almost every source of competitive advantage — products, technology, financial structure and strategy — can be imitated in an amazingly short period of time, our people are key to maintaining our competitive advantage. Their passion, dedication and commitment allow the Company to prosper. Superior business results depend on good customer service, which, in turn, depends on a well-trained staff who feel connected to, and proud of, the Company.

Mark's Work Wearhouse Ltd. is a company that values its relationships with employees, as well as with its customers, suppliers, shareholders and other stakeholders. Corporate Human Resources ensures that we will continue to attract, develop and retain winning people by providing appropriate systems, structures and services.

The growing complexity of our business has not stopped us from maintaining our culture and values. As our divisions continue to grow, Human Resources will focus on communicating, demonstrating and reinforcing the Company's values. We are a Company where entrepreneurial spirit is strong and everyone is invited to contribute.

In 2000, we will focus on:

High Performance Practices

- Clear Strategic Targets
- Selective Hiring
- Principled Leadership
- Careers Rather than Jobs
- Comprehensive Training
- Shared Information
- Attractive Compensation
- Performance Metrics
- Performance Incentives and Open Culture

Expected Performance Outcomes

- Customer Service Excellence
- Profitability Improvement
- Innovation
- Flexibility
- Productivity Improvement
- Cost Reduction
- Learning

We will emphasize training, development, design and delivery in the areas of:

- People Orientation
- Sales Training
- Merchandising Skill Development
- Leadership Education

As well, at Mark's Work Wearhouse Ltd., we have developed what we consider to be a unique, flexible and highly responsive performance-based Human Resources Management system, designed to encourage individuals to set and meet personal goals and objectives that accord with corporate strategies.

PERFORMANCE CONTRACTING

All of the Company's middle and upper management are evaluated through a Performance Contracting process. Individual achievements in the following two areas are directly tied to managers' current and future compensation:

Business Objective

Each year, all middle and upper managers negotiate and sign their own personal business objective that is directly tied to the Company's operating budgets. Individual performance is then measured on meeting this personalized business objective.

Key Results

Middle and upper management are also encouraged to exceed their individual business objective. Each manager annually negotiates up to three business activities they will undertake to both support and exceed their business objective. If the individual achieves their Key Results, they are rewarded for their success; however, they are not penalized for failing to achieve these benchmarks. We believe that these Key Results encourage our managers to "take a leap of faith" and reward excellence in individual effort.

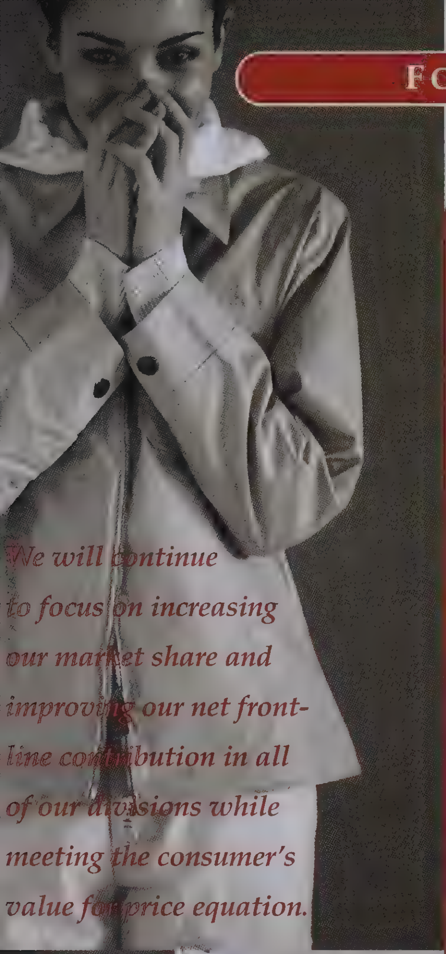
In addition to encouraging our management team to reach their individual potential, we have also developed a system of internal training programs and external courses to help all employees develop new skills and talents. The **College of Retail Excellence** fosters and supports employees as they learn to maximize their contributions to the Company by meeting the changing needs and expectations of our customers.

The main focus of the Human Resources Department is to build a healthy "leadership ecology" populated by executive leaders, line leaders and sales leaders. All our leaders are dedicated to creating and sustaining an organizational environment that inspires, supports and leverages imagination and initiative at all levels. Individuals can communicate through open-door policies under which senior managers and others can be easily accessed to exploit opportunities, work through problems or simply chat about the future. Our leaders are focused on creating conditions under which networks of committed people can develop and maintain momentum to address the challenges of profound change in today's marketplace. In our Company, the power of committed minds and hearts working together wins today and builds a promising tomorrow. We can and will create our own destiny.

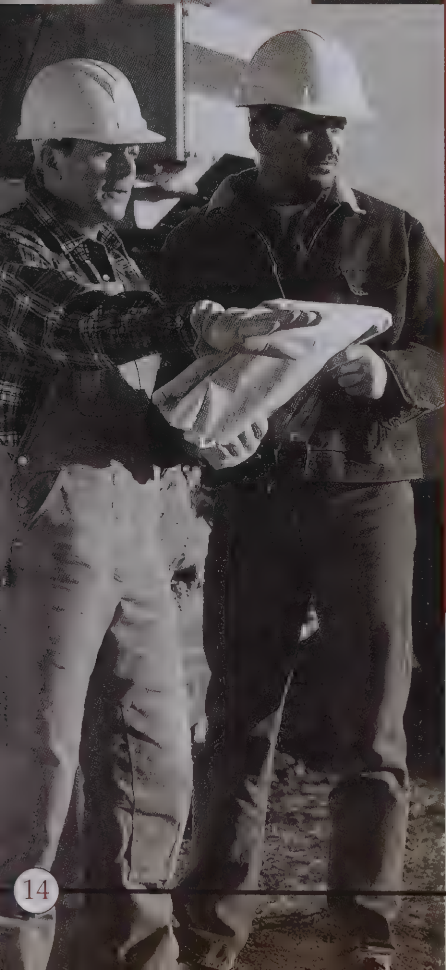
Senior Management Performance

Senior Officer	Business Objective **Fiscal 2000**	Business Objective Result **Fiscal 2000**
Garth Mitchell President & Chief Executive Officer	To produce consolidated pre-tax profit of $17.7 million or greater	A consolidated pre-tax profit of $12.3 million was achieved
Mike Lambert Chief Financial Officer	To engineer a major transaction or series of transactions that cause the Company's share price to increase by 30% and remain at that level 30 days after the announcement date	The fiscal 2000 Business Objective was not achieved. Michael Lambert was absent from the Company from August 31, 1999 to December 15, 1999
Paul Wilson Chief Operating Officer, Mark's Division	To deliver a divisional pre-tax profit before back-line corporate services' charges and distribution costs of $34.6 million from the Mark's retail operation	The Mark's retail operation delivered a divisional pre-tax profit before back-line corporate services' charges and distribution costs of $34.6 million
Rick Harrison Senior Vice President, Merchandising, Mark's Division	To generate $122.4 million in gross margin dollars and an inventory turnover rate of 2.1 turns in the Mark's corporate store retail operation	The Mark's corporate store retail operation delivered $116.6 million in gross margin dollars and an inventory turnover rate of 2.0 turns
Michael Strachan Chief Operating Officer, Work World Division (Michael was promoted from General Manager, Ontario for the Mark's Division in December, 1999)	For fiscal January, 2000, Michael's Business Objective was not published	Not applicable
Richard MacMillan Vice President, Merchandising, Work World Division	To generate $13.1 million in gross margin dollars in the Work World corporate store retail operation	The Work World corporate store retail operation generated $10.8 million in gross margin dollars
Cathy Prosser General Manager, DOCKERS® Stores Division (Cathy was promoted from Senior Buyer, Mark's Division to Senior Buyer, DOCKERS® Stores Division in January, 1999 and then to General Manager, DOCKERS® Stores Division in October, 1999)	For fiscal January, 2000, Cathy's Business Objective was not published	Not applicable
John Murphy Senior Vice President, Treasurer & Secretary	To hold the 12-month rolling funded debt-to-equity ratio to no more than the optimistic forecast level of 1.13-to-1 by January 29, 2000 while obtaining $4.0 million of store construction capital lease financing	The 12-month rolling funded debt-to-equity ratio came in at .94-to-1 at January 29, 2000 and $5.8 million of store construction capital lease financing was obtained in fiscal 2000
Robin Lynas Chief Information Officer	To maintain and operate all Company computer systems and develop and deliver the projects agreed upon by the Systems Steering Committee within the department's operating budget of $7.0 million and capital expenditures budget of $2.6 million	The maintenance and operation of all of the Company's computer systems and the development and delivery of the projects agreed upon by the Systems Steering Committee were delivered for $6.8 million of operating costs and capital expenditures of $3.4 million (some Y2K-related)
Michel St. Jean Vice President, Store Design	To deliver new, relocated and refurbished stores at a gross cost of $40 per square foot in the Mark's Division, $36 per square foot in the Work World Division and $100 per square foot in the DOCKERS® Stores Division	Delivered new relocated and refurbished stores at an average gross cost of $37 per square foot in the Mark's Division; $34 per square foot in the Work World Division and $103 per square foot in the DOCKERS® Stores Division
Randy Wiebe Vice President, Controller (Randy rejoined the Company in May, 1999 after a 16-month absence)	For fiscal January, 2000, Randy's Business Objective was not published	Not applicable
Linda Mathiesen Vice President, Human Resources & Customer Service	To improve Mark's Division's total sales dollars per front-line staff full-time equivalent from $309,000 in fiscal 1999 to $332,000 in fiscal 2000	Mark's Division sales dollars achieved were $317,000 per front-line staff full-time equivalent
Kirk Marleau Vice President, Real Estate	To deliver store locations to the Company's divisions that meet a quality level that has 80% of the new stores achieving their budgeted sales in their first full year of operations	Since stores were opened through the course of fiscal 2000, a full 12 months has not yet passed on the stores opened on the sites selected during fiscal 2000. The actual results will be measured against this business objective later on during fiscal 2001

Business Objective **Fiscal 2001**	**Fiscal 2001** Key Results and **Fiscal 2000** Key Results Achieved
To produce a consolidated pre-tax profit of $16.5 million or greater	• To deliver a consolidated sales growth rate that will be double the Trendex North America sales growth rate for apparel and footwear in Canada in fiscal 2001 over fiscal 2000 • To have the Company's share price outperform the Toronto Stock Exchange Specialty Stores Index by 5.0% for the Company's fiscal year ending January 27, 2001 • Neither of the two fiscal 2000 Key Results were achieved
To engineer a major transaction or series of transactions that cause the Company's share price to increase by 30% within 30 days of the announcement and retain that relationship to the Toronto Stock Exchange Specialty Stores Index thereafter for the remainder of the fiscal year	• Negotiate and complete the acquisition of six successful franchise stores within the parameters of the Company's business formula for purchasing franchise stores • Lead a process review of back-line functions to achieve at least a $500,000 cost savings annually on a go-forward basis once the recommendations from the process review are implemented • The fiscal 2000 Key Result was not achieved. Michael Lambert was absent from the Company from August 31, 1999 to December 15, 1999
To deliver, from the Mark's retail operation, a divisional pre-tax profit after back-line corporate services' charges and distribution costs 15% above the fiscal 2000 level	• Implement the Company's e-Commerce plan within the approved budget during fiscal 2001 • One of the two fiscal 2000 Key Results was achieved
To generate $129.1 million in gross margin dollars and an inventory turnover rate of 2.2 turns in the Mark's corporate store retail operation	• To deliver a closing inventory in the Mark's Division men's tops category of $18.0 million at retail • The fiscal 2000 Key Result was not achieved
To deliver a $1.5 million improvement in fiscal 2001 over fiscal 2000 to the divisional pre-tax bottom line after back-line corporate services' charges	• To deliver a pure comparative store sales increase in the Work World Division's corporate stores of 8.5% in fiscal 2001 over fiscal 2000 • There is no reporting on fiscal 2000 Key Results
To deliver $14.9 million in gross margin dollars in the Work World corporate store retail operation and also deliver $2.5 million in franchise royalties	• To improve the Work World Division's inventory turnover rate from its corporate operations by 40% in fiscal 2001 over fiscal 2000 • To source two items that will generate $400,000 of retail sales in fall 2000 that are incremental to the plan • Neither of the two fiscal 2000 Key Results were achieved
To deliver a $0.7 million improvement in fiscal 2001 over fiscal 2000 to the divisional pre-tax bottom line after back-line services' charges and prior to the capitalization and amortization of pre-opening costs	• To deliver a positive front-line contribution in the focus stores in the DOCKERS® Stores Division • There is no reporting on fiscal 2000 Key Results
To hold the consolidated 12-month rolling funded debt-to-equity ratio to no more than the optimistic forecast level of 1.08-to-1 by January 27, 2001 while obtaining $4.1 million of store construction capital lease financing	• To negotiate defined improvements to the Company's operating credits • To find and deliver $0.5 million of back-line expense reductions from the total consolidated back-line expense budgets in fiscal 2001 • Two of the two fiscal 2000 Key Results, one of which was unpublished, were achieved
To maintain and operate all of the Company's computer systems and develop and deliver the projects agreed upon by the Systems Steering Committee within the department's operating budget of $7.6 million and capital expenditures budget of $2.2 million	• To have all systems and tools in place to support the Company's Business-to-Business and e-Commerce projects • To have the design and infrastructure for in-store kiosks in a pilot phase by January 27, 2001 in preparation for a spring 2001 roll out • Neither of the two fiscal 2000 Key Results were achieved
To deliver new, relocated and refurbished stores at a gross cost of $37 per square foot in the Mark's Division, $40 per square foot in the Work World Division and $100 per square foot in the DOCKERS® Stores Division	• Provide creative and highly effective store front merchandise presentations according to marketing budgets and seasonal product offerings • Deliver the new, relocated and renovated store programs according to predetermined landlord turnover and divisional store opening dates • Two of the two fiscal 2000 Key Results were achieved
To deliver timely and accurate internal (monthly) and external (quarterly and year end) financial reporting and to manage the Company's tax affairs within the department's operating budget of $1.7 million	• To deliver $250,000 in savings from the fiscal 2001 budget in GST, sales tax, income taxes, capital taxes and property taxes, except for Ontario property taxes in the Mark's Division • To deliver $250,000 in savings from the fiscal 2001 budget in Ontario property taxes in the Mark's Division • There is no reporting on fiscal 2000 Key Results
To improve Mark's Division total sales dollars per front-line and back-line staff full-time equivalent from $230,000 in fiscal 2000 to $243,000 in fiscal 2001	• To have 70% of the Mark's Division's front-line associates in an on-going sales program that provides participants information to sell more effectively, and to have trained the district managers to coach and support on-going training for their new staff. Both of these items are to be achieved by September 1, 2000 • One of the two fiscal 2000 Key Results was achieved
To deliver new and relocated store locations to the Company's divisions that meet a quality level that has 80% of the new locations achieving their budgeted sales in fiscal 2001 for the part of the fiscal year they were operating	• To collect the tenant allowance from landlords on all fiscal 2001 store lease transactions within 90 days of the store opening date • To have all corporate store lease information input and accessible to the required parties on a new real estate information system by January 27, 2001 • One of the two fiscal 2000 Key Results was achieved



We will continue to focus on increasing our market share and improving our net front-line contribution in all of our divisions while meeting the consumer's value for price equation.



The key areas of focus behind the Company's business models that must be monitored to ensure success are:

- Customer care
- Market share
- Corporate store sales per square foot in each division
- Gross margin rate in each division
- Front-line expense rate as a percentage of sales and per square foot in each division
- Combined corporate services and divisional back-line expense rates as a percentage of total system sales
- Front-line contribution as a percentage of sales by store, district, region and division
- Franchise revenues as a percentage of franchise sales
- The costs of franchise operations
- Logistics costs and efficiency
- Total current assets-to-total current liabilities ratio
- Total liabilities-to-equity ratio
- Average funded debt-to-equity ratio
- Coverage of balance sheet and off-balance sheet liabilities

In order to monitor these drivers, the Company has developed, and continues to amend and further develop, operational and financial goals.

Operational goals are key items that the Company monitors to gauge how it is progressing towards the achievement of its Strategic Plan and its Mission. Operational goals and other indicators also provide data that can be benchmarked against our competitors in the industry.

The financial goals are set and monitored to ensure that while the Company is aggressively pursuing its Strategic Plan and its Mission, it is still being financed conservatively and is providing a superior return to its investors.

Operational Goals

	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 2001 Optimistic Forecast*	Fiscal 2005 Master Targets**
Goal 1: Sales per average retail sq. ft.					
Mark's Division corporate stores					
Goal	$ 260	$ 270	$ 257	$ 258	$ 318
Actual and forecast	$ 256	$ 252	$ 239	$ 258	N/A
Total retail sq. ft. of stores with sales greater than $300 per sq. ft.	276,713	269,926	289,452	372,386	N/A
Number of stores with sales greater than $300 per sq. ft.	35	33	33	40	N/A
Work World Division corporate stores					
Goal	N/A	N/A	$ 262	$ 235	$ 280
Actual and forecast	N/A	N/A	$ 217	$ 235	N/A
Total retail sq. ft. of stores with sales greater than $300 per sq. ft.	N/A	N/A	22,169	33,917	N/A
Number of stores with sales greater than $300 per sq. ft.	N/A	N/A	9	13	N/A
DOCKERS® Stores Division corporate stores					
Goal	N/A	N/A	N/A	$ 446	$ 511
Actual and forecast	N/A	N/A	N/A	$ 446	N/A
Total retail sq. ft. of stores with sales greater than $500 per sq. ft.	N/A	N/A	2,930	16,174	N/A
Number of stores with sales greater than $500 per sq. ft.	N/A	N/A	1	5	N/A
Goal 2: Gross margin return on investment (times)					
Mark's Division corporate stores					
Goal	1.8	1.9	1.5	1.7	2.1
Actual and forecast	1.7	1.5	1.6	1.7	N/A
Work World Division corporate stores					
Goal	N/A	N/A	0.8	0.9	1.5
Actual and forecast	N/A	1.1	0.9	0.9	N/A
DOCKERS® Stores Division corporate stores					
Goal	N/A	N/A	N/A	1.9	2.7
Actual and forecast	N/A	N/A	0.3	1.9	N/A
Goal 3: Front-line contribution as a percentage of corporate store sales					
Goal (consolidated) – corporate stores	10.0%	11.2%	10.8%	10.9%	12.2%
Actual and forecast					
Mark's Division corporate stores	11.5%	10.9%	12.2%	12.4%	14.2%
Work World Division corporate stores	6.3%	4.0%	(5.1%)	3.7%	7.5%
DOCKERS® Stores Division corporate stores	N/A	N/A	(52.7%)	(4.2%)	8.0%
Consolidated corporate stores***	11.0%	10.3%	10.1%	10.9%	12.2%
Goal 4: Franchise royalties and other less franchise bad debts as a percent of franchise sales					
Mark's Division franchise stores					
Goal	6.0%	6.3%	6.3%	6.2%	6.2%
Actual and forecast	6.5%	6.4%	6.2%	6.2%	N/A
Work World Division franchise stores					
Goal	N/A	3.9%	3.9%	4.0%	4.3%
Actual and forecast	3.5%	3.9%	4.0%	4.0%	N/A
Goal 5: Inventory turnover (times)					
Mark's Division corporate stores					
Goal	2.4	2.4	2.2	2.4	2.8
Actual and forecast	2.2	1.9	2.0	2.4	N/A
Work World Division corporate stores					
Goal	N/A	N/A	1.2	1.3	2.1
Actual and forecast	0.5	1.1	1.0	1.3	N/A
DOCKERS® Stores Division corporate stores					
Goal	N/A	N/A	N/A	2.9	3.8
Actual and forecast	N/A	N/A	0.7	2.9	N/A

N/A Not available or not applicable.

* The reader is cautioned that all of the forecast data is based upon management's judgment and on assumptions outlined on page 21, some, or all, of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast, and variations may be material.

** The master targets are based upon management's judgment and on assumptions some, or all of which, may prove incorrect. Accordingly, actual results achieved in future years will inevitably vary from those forecasts and variations may be material.

*** The consolidated percentages in fiscal 2000, fiscal 2001 and fiscal 2005 include DOCKERS® Stores.

Other Indicators

Mark's Division corporate stores and Mark's Division and Corporate Services back-line operations

	Fiscal **1998*****	Fiscal **1999*****	Fiscal **2000**	Fiscal **2001** Optimistic Forecast*
Customer service				
Total front-line staff performance rating**	87.9%	91.2%	92.6%	94.0%
All stores performance rating**	81.1%	84.4%	88.9%	91.0%
Payroll management (number of staff at fiscal year end)				
Front-line staff – full time	390	417	410	427
Front-line staff – part time	1,501	1,612	1,305	1,315
Back-line staff – full time	145	154	178	189
Back-line staff – part time	16	23	24	26
	2,052	2,206	1,917	1,957
Number of full-time equivalents	1,091	1,176	1,229	1,278
Sales dollars per full-time equivalent	$ 230,000	$ 229,000	$ 230,000	$ 243,000
Average sales per hour paid	$ 142.47	$ 144.27	$ 148.81	$ 159.37
Sales per $ of salary (excluding benefits)				
Selling	$ 18.71	$ 17.73	$ 17.56	$ 18.16
Total	$ 8.75	$ 9.30	$ 8.77 ****	$ 8.50 ****
% of front-line staff that is part time	79.4%	79.4%	76.1%	75.5%
% of total staff that is back-line	7.8%	8.0%	10.5% ****	11.0% ****
Management payroll				
Front-line management salaries	$ 5,319,963	$ 6,098,944	$ 6,747,178	$ 7,603,539
Back-line management salaries	$ 4,203,718	$ 4,548,103	$ 5,314,328 ****	$ 5,741,044 ****
Total management salaries (including benefits)	$ 9,523,681	$10,647,047	$12,061,506	$13,344,583
Total management bonus	$ 2,026,159	$ 606,041	$ 1,178,818	$ 2,200,000
Total management payroll	$11,549,840	$11,253,088	$13,240,324	$15,544,583
Total management payroll as a percentage of corporate sales	4.6%	4.2%	4.7% ****	5.0% ****
% of total management salaries – front-line	55.9%	57.3%	55.9%	57.0%
% of total compensation – bonus-based	17.5%	5.4%	8.9%	14.2%
% of change of total management compensation	8.0%	(2.6%)	17.7% ****	17.4% ****
Advertising as a percentage of corporate store sales	5.0%	5.3%	4.7%	4.6%
Front-line occupancy costs as a percentage of corporate store sales	8.6%	9.1%	9.5%	9.4%
Front-line occupancy costs per average retail sq. ft.	$ 22.15	$ 22.78	$ 23.22	$ 24.05
Total retail sq. ft. at fiscal year end	1,019,244	1,111,985	1,195,053	1,218,345
Number of corporate stores "On Concept"				
Number	90	103	112	116
Percentage	78.9%	84.4%	88.2%	91.3%
Average $ per transaction (corporate stores)	$ 65.47	$ 66.89	$ 68.31	$ 71.00
Corporate stores' market share of men's clothing stores market	11.2%	12.1%	12.7%	N/A

N/A Not available or not applicable.

* The reader is cautioned that all of the forecast data is based upon management's judgment and on assumptions, outlined on page 21, some, or all, of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

** The Mark's Division engages an external organization to shop its stores on a regular basis and evaluate and report on the performance of its staff and stores.

*** Some of the fiscal 1998 and fiscal 1999 data was restated to exclude Mark's U.S. Division numbers, where they had been previously included.

**** Fiscal 2000 and fiscal 2001 have some additional back-line staff in the Corporate Services operation to support the corporate store initiative in Work World and the DOCKERS® Stores start up.

FINANCIAL GOALS

Goal 1: To earn a 2% after-tax profit on total corporate and franchise store sales

(thousands of dollars, except percentage items)	Fiscal **1998**	Fiscal **1999**	Fiscal **2000**	Fiscal **2001** (Forecast Range)* Conservative	Optimistic
Corporate and franchise store sales	402,207	417,468	437,670	478,937	492,838
Net earnings	6,551	5,752	6,387	6,813	8,731
After-tax profit return on total system sales	1.6%	1.4%	1.5%	1.4%	1.8%

Goal 2: To provide a return on capital employed in excess of 25% and a return on average equity in excess of 15%

(thousands of dollars, except per share and percentage items)	Fiscal **1998**	Fiscal **1999**	Fiscal **2000**	Fiscal **2001** (Forecast Range)* Conservative	Optimistic
Average capital employed	57,858	73,972	88,101	93,973	94,932
EBIT	14,736	14,361	16,327	18,537	21,961
Return on average capital employed	25.5%	19.4%	18.5%	19.7%	23.1%
Average equity	41,815	50,026	56,439	62,907	63,866
Return on average shareholders' equity	15.7%	11.5%	11.3%	10.8%	13.7%
Book value per share	1.71	1.91	2.14	2.39	2.46

Goal 3: To maintain a total liabilities-to-equity ratio of no greater than 1.75-to-1 at the Company's fiscal year end, and to have a 12-month rolling average total funded debt-to-equity ratio no greater than 1-to-1 (.90-to-1 in fiscal 1999 and 1998)

(thousands of dollars, except ratios)	Fiscal **1998**	Fiscal **1999**	Fiscal **2000**	Fiscal **2001** (Forecast Range)* Conservative	Optimistic
Total liabilities	58,871	79,686	83,513	82,423	81,773
Equity	46,746	53,306	59,571	66,243	68,161
Total liabilities-to-equity ratio	1.26/1	1.49/1	1.40/1	1.24/1	1.20/1
Average funded debt-to-equity ratio	.71/1	.92/1	.94/1	1.14/1	1.08/1

Goal 4: To maintain a current ratio of not less than 1.50-to-1 at the Company's fiscal year end

(thousands of dollars, except ratios)	Fiscal **1998**	Fiscal **1999**	Fiscal **2000**	Fiscal **2001** (Forecast Range)* Conservative	Optimistic
Current assets	75,810	96,360	101,475	109,908	111,176
Current liabilities	44,397	56,525	57,296	61,327	60,677
Working capital	31,413	39,835	44,179	48,581	50,499
Current ratio	1.71/1	1.70/1	1.77/1	1.79/1	1.83/1

* The forecast range set by the conservative and optimistic forecasts is based upon management's judgment and on assumptions, outlined on page 21, some, or all, of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

Goal 5: To restrict unfinanced capital expenditures to no more than the amount that results in at least a 1.3 times coverage (EBITDA +(-) other non-cash items added or deducted in determining funds flow from operations + rents + CAM + other operating leases - unfinanced capital expenditures) divided by (interest + rents + CAM + other operating leases + scheduled annual principal repayments of long-term debt)

(thousands of dollars, except times coverage)	Fiscal **1998**	Fiscal **1999**	Fiscal **2000**	Fiscal **2001** (Forecast Range)* Conservative	Optimistic
EBITDA	21,831	22,738	26,305	30,515	33,939
Non-cash items	(37)	1,686	511	(275)	(275)
Rents + CAM + other operating leases	19,845	22,506	27,523	31,751	31,751
	41,639	46,930	54,339	61,991	65,415
Capital expenditures including capital leases	11,309	10,152	11,154	9,047	9,047
Financing of capital expenditures including lease financing	(10,435)	(7,228)	(10,239)	(5,978)	(5,978)
Unfinanced capital expenditures	874	2,924	915	3,069	3,069
Numerator	40,765	44,006	53,424	58,922	62,346
Interest, rents, CAM, other operating leases and scheduled annual principal repayments	26,611	33,863	40,868	47,080	47,080
Times coverage	1.53	1.30	1.31	1.25	1.32

Goal 6: To maintain rent, other operating leases, computer services and interest on long-term debt coverage in the range of 1.50-to-1.75 times

(thousands of dollars, except times coverage)	Fiscal **1998**	Fiscal **1999**	Fiscal **2000**	Fiscal **2001** (Forecast Range)* Conservative	Optimistic
Earnings from operations before income taxes, rent, other operating leases, interest on long-term debt and computer services	33,615	34,388	41,349	47,955	51,379
Rent, other operating leases, interest on long-term debt and computer services	21,211	23,392	29,039	34,830	34,830
Times coverage	1.58	1.47	1.42	1.38	1.48

Goal 7: To achieve back-line costs excluding interest but including goodwill amortization of less than 5% of total system sales (corporate store and franchise stores sales combined)

(thousands of dollars, except percentage items)	Fiscal **1998**	Fiscal **1999**	Fiscal **2000**	Fiscal **2001** (Forecast Range)* Conservative	Optimistic
Total system sales	402,207	417,468	437,670	478,937	492,838
Back-line costs, excluding interest but including goodwill amortization	21,301	20,845	23,540	25,307	25,557
Back-line costs excluding interest but including goodwill amortization as a percentage of total retail sales	5.3%	5.0%	5.4%	5.3%	5.2%

As of January 29, 2000, the Company is meeting one of its five operational goals and three of its seven financial goals.

* The forecast range set by the conservative and optimistic forecasts is based upon management's judgment and on assumptions, outlined on page 21, some, or all, of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

FOCUS ON THE FUTURE

Our Strategic Plan focuses on the requirement to balance resources among reinvesting and improving upon proven formats (the Mark's Division), executing the growth strategies in less-developed formats (the "Corporate Store" and merchandise development strategies in the Work World Division), testing and proving new formats (the DOCKERS® test stores) and growing new business vehicles (Business-to-Business and e-Commerce) while continuing to grow the Company's bottom line. A review of the Consolidated Financial Statements and the Management's Discussion and Analysis, particularly Tables 10 and 11, illustrates that the Company did not achieve its bottom line growth targets in fiscal 2000 because of the drag on earnings by the new divisions and weak sales during a six-week period in fiscal 2000.

The Company has and continues to be excited about investing in and focusing on improving its Mark's (L'Équipeur) Division. This will be accomplished by accelerating the strong growth experienced in the last couple of years in Business-to-Business sales, ladies' wear sales, men's casual wear sales and footwear sales. In addition, the division will continue with its gross margin rate improvement and "On Concept" Store program initiatives that have been very successful over the last five years. Also, in fiscal 2001 and beyond, this division will expand its web site for retail and Business-to-Business sales as well as marketing and information exchange activities.

In its Work World Division, the strategy will be to focus on improving the merchandise programs and store formats to get the sales dollars per square foot and store and division front-line contribution rates up to the required levels, while moderately increasing the number of corporate stores, primarily in Ontario.

In its DOCKERS® Stores Division, the Company is excited about continuing to fine tune its five-store pilot, soon to be eight stores, by focusing on sales dollars per square foot, gross margin rate, sales mix between men's and ladies' product, and sales mix between tops, bottoms and other products in preparation for significant store rollouts, if the test so dictates, starting in fiscal 2002.

While focusing on the strategies, the Company will always be on the look-out for new formats, acquisitions or significant transactions that can add shareholder value and growth to Mark's Work Wearhouse Ltd.

Mark's Business-to-Business department is focused on meeting the corporate wear needs of major corporations, public sector service providers and small business. Continuing to grow this department will help the Company meet its strategic goals.

MASTER TARGETS

Excerpts from the Strategic Plan*

(dollar amounts in thousands except share price and per retail square foot)	Owner	Actual January **1998**	Actual January **1999**	Actual January **2000**	Master Targets January **2001***	Master Targets January **2002***	Master Targets January **2003***
Mark's Division corporate and franchise sales	Paul Wilson	$ 312,035	$ 328,937	$ 345,803	$ 381,391	$ 416,655	$ 452,852
Work World Division corporate and franchise sales	Michael Strachan	$ 88,497	$ 86,866	$ 89,201	$ 99,173	$ 104,720	$ 111,200
DOCKERS® Stores Division corporate sales	Cathy Prosser	N/A	N/A	$ 2,666	$ 12,274	$ 26,577	$ 55,418
Mark's Division corporate stores sales per average retail square foot	Paul Wilson	$ 256	$ 252	$ 239	$ 258	$ 278	$ 297
Work World Division corporate stores sales per average retail square foot	Michael Strachan	N/A	N/A	$ 217	$ 235	$ 251	$ 259
# of Mark's Division corporate stores	Paul Wilson	114	122	127	127	131	134
# of Mark's Division franchise stores	Paul Wilson	31	29	29	29	29	29
# of Work World Division corporate stores	Michael Strachan	3	41	45	50	61	70
# of Work World Division franchise stores	Michael Strachan	139	105	102	101	90	85
# of DOCKERS® Stores Division corporate stores	Cathy Prosser	N/A	N/A	5	8	18	38
Mark's Division corporate stores gross margin rate	Rick Harrison	40.6%	40.6%	41.3%	41.5%	41.6%	41.7%
Work World Division corporate stores gross margin rate	Richard MacMillan	39.9%	35.6%	36.7%	39.5%	40.0%	40.3%
Mark's Division franchise royalties and other	Paul Wilson	$ 4,096	$ 3,985	$ 4,075	$ 4,543	$ 4,588	$ 4,634
Work World Division franchise royalties and other	Michael Strachan	$ 3,508	$ 3,031	$ 2,565	$ 2,593	$ 2,563	$ 2,555
Mark's Division front-line expenses as a % of corporate sales	Paul Wilson	29.1%	29.7%	29.1%	29.1%	28.3%	28.0%
Work World Division front-line expenses as a % of corporate sales	Michael Strachan	33.6%	31.6%	41.7%	35.8%	35.1%	34.6%
Consolidated back-line expenses, including goodwill amortization, as a % of total system sales	John Murphy	5.7%	5.3%	5.9%	6.1%	6.1%	6.1%
Share price	Garth Mitchell	$ 3.70	$ 3.25	$ 1.80	$ 3.10	$ 4.20	$ 5.30
Consolidated average funded debt-to-equity	Mike Lambert & John Murphy	.71/1	.92/1	.94/1	1.08/1	1.00/1	1.00/1
Mark's Division year-end inventory at retail	Rick Harrison	$ 110,929	$ 117,419	$ 123,251	$ 130,871	$ 147,017	$ 139,524
Consolidated capital expenditures including capital leases	Michel St. Jean & Robin Lynas	$ 11,309	$ 10,152	$ 11,154	$ 9,047	$ 10,544	$ 14,842
Mark's Division corporate stores year-end average store size (retail square feet)	Paul Wilson	8,941	9,115	9,410	9,593	9,661	9,744
Work World Division corporate stores year-end average store size (retail square feet)	Michael Strachan	1,976	3,200	3,177	3,237	3,155	3,115
DOCKERS® Stores Division year-end average store size (retail square feet)	Cathy Prosser	N/A	N/A	3,306	3,425	3,272	3,208

N/A Not applicable or not available.

* The master targets are based upon management's judgment and on assumptions some, or all, of which may prove incorrect. Accordingly, actual results achieved in future years will inevitably vary from those forecast and variations may be material.

FORECAST

Earnings per Common Share, for the 52 weeks ending January 27, 2001 are forecast to be in the range of 25 to 31 cents. This forecast range represents, in management's judgment, the most likely set of conditions and the Company's most likely course of action. The reader is cautioned that some assumptions used while preparing our forecast range, although considered reasonable at the time of preparation, may prove to be incorrect. The actual results achieved during the forecast period will inevitably vary from the forecast range and variations may be material.

The Company completed this forecast range on March 23, 2000. The quarterly financial reports issued by the Company to its shareholders during the forecast year will contain either a statement that there are no significant changes to be made to the forecast range or an updated earnings per Common Share forecast or forecast range accompanied by explanations of significant changes. The reader is further cautioned that the fourth quarter of the year continues to produce between 37% and 41% of the Company's annual sales and the majority of its annual profits.

KEY ASSUMPTIONS

(dollars in thousands, except sales per retail sq. ft.)	Actual 52 weeks ended January 29, **2000**	Forecast Range (unaudited) 52 weeks ended January 27, **2001** Conservative	Optimistic
Total sales increase – Mark's Division corporate stores	5.7%	8.0%	10.1%
Total sales increase – Mark's Division franchise stores	2.5%	5.8%	11.1%
Total sales increase – Work World Division corporate stores**	101.5%	21.8%	28.6%
Total sales increase (decrease) – Work World Division franchise stores**	(17.3%)	0.8%	2.6%
Total sales – DOCKERS® Stores Division corporate stores	$ 2,666	$ 10,832	$ 12,274
Number of DOCKERS® Stores Division store openings	5	3	3
Same-store sales increase (decrease) – Mark's Division corporate stores	(0.2%)	7.0%	9.2%
Same-store sales increase – Mark's Division franchise stores	2.4%	4.4%	9.8%
Same-store sales increase (decrease) – Work World Division corporate stores	(0.2%)	6.2%	10.9%
Same-store sales increase – Work World Division franchise stores	1.7%	3.2%	5.1%
Number of new Mark's Division corporate store openings	6	1	1
Sales from new Mark's Division corporate store openings during year	$ 10,205	$ 1,389	$ 1,389
Number of new Work World Division corporate store openings	5	5	5
Sales from new Work World Division corporate store openings during year	$ 1,292	$ 2,910	$ 3,233
Number of Mark's Division corporate store expansions, relocations,	11	8	8
refurbishments and sales therefrom	$ 27,437	$ 23,264	$ 23,264
Number of Work World Division corporate store expansions, relocations,	8	4	4
refurbishments and sales therefrom	$ 5,113	$ 2,999	$ 3,431
Number of Mark's Division corporate store closings	1	1	1
and sales therefrom	$ 1,638	$ 27	$ 27
Number of Work World Division corporate store closings	1	Nil	Nil
and sales therefrom	$ 28	Nil	Nil
Sales per average retail sq. ft. Mark's Division corporate stores*	$ 239	$ 253	$ 258
Sales per average retail sq. ft. Work World Division corporate stores*	$ 217	$ 224	$ 235
Number of Mark's Division franchise stores at year end	29	29	29
Number of Work World Division franchise stores at year end	102	101	101
Mark's Division gross margin rate	41.3%	41.5%	41.5%
Work World Division gross margin rate	36.7%	38.0%	39.5%
Consolidated gross margin rate	40.6%	41.1%	41.2%
Inventory turnover – Mark's Division corporate stores	2.0	2.3	2.4
Inventory turnover – Work World Division corporate stores	1.0	1.3	1.3
Consolidated capital expenditures including capital purchases made by capital leases	$ 11,154	$ 9,047	$ 9,047
Operating line – interest rates	6.5%	7.6%	8.3%
Long-term debt financing including capital lease financing	$ 10,239	$ 5,978	$ 5,978
Consolidated front-line expenses as a percentage of corporate store sales	30.6%	30.8%	30.3%
Consolidated back-line expenses including interest long-term and goodwill amortization as a percentage of total system sales	5.9%	6.2%	6.1%

* Calculated on stores open and at the same size for an entire season. The Company divides the year into two seasons. Spring – February through July; Fall – August through January.

** 31 Work World franchise stores were converted to Work World corporate stores during fiscal 1999 and nine new corporate stores were opened in fiscal 1999. Five new corporate stores were opened in fiscal 2000.

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per Common Share)	Actual 52 weeks ended January 29, **2000**	Forecast Range (unaudited) 52 weeks ended January 27, **2001**	
		Conservative	Optimistic
Corporate and franchise sales	$ 437,670	$ 478,937	$ 492,838
Franchise sales	123,123	127,276	131,722
Corporate sales	314,547	351,661	361,116
Cost of sales	186,723	207,243	212,312
Gross margin	127,824	144,418	148,804
Front-line expenses	96,207	108,370	109,345
Front-line contribution	31,617	36,048	39,459
Franchise royalties and other	6,640	6,873	7,136
Net front-line contribution	38,257	42,921	46,595
Back-line expenses including goodwill amortization	25,947	29,796	30,046
Earnings before income taxes	12,310	13,125	16,549
Income taxes	5,923	6,312	7,818
Net earnings	$ 6,387	$ 6,813	$ 8,731
Earnings per Common Share	23¢	25¢	31¢
Weighted average number of Common Shares outstanding	27,847	27,807	27,807

CONSOLIDATED BALANCE SHEETS

(in thousands)	Actual as at January 29, **2000**	Forecast Range (unaudited) as at January 27, **2001**	
		Conservative	Optimistic
Assets			
Current assets			
Cash and cash equivalents	$ 1,774	$ —	$ 1,877
Merchandise inventories	81,468	87,920	86,717
Other current assets	18,233	21,988	22,582
	101,475	109,908	111,176
Other assets	1,614	1,420	1,420
Capital assets	25,893	23,308	23,308
Future income taxes	3,026	3,301	3,301
Goodwill	11,076	10,729	10,729
	$ 143,084	$ 148,666	$ 149,934
Liabilities			
Current liabilities			
Bank indebtedness	$ —	$ 2,599	$ —
Other current liabilities	57,296	58,728	60,677
	57,296	61,327	60,677
Long-term debt	23,952	18,935	18,935
Deferred gains	2,265	2,161	2,161
	83,513	82,423	81,773
Shareholders' equity			
Capital stock	32,715	32,677	32,677
Retained earnings	26,856	33,566	35,484
	59,571	66,243	68,161
	$ 143,084	$ 148,666	$ 149,934

Consolidated Statements of Cash Flows

(in thousands)	Actual 52 weeks ended January 29, **2000**	Forecast Range (unaudited) 52 weeks ended January 27, **2001** Conservative	Optimistic
Cash and cash equivalents generated (deployed)			
Operations	$ 16,876	$ 18,518	$ 20,435
Working capital	(6,577)	(9,468)	(6,909)
Investing*	(4,142)	(2,876)	(2,876)
Financing*	(7,093)	(10,547)	(10,547)
Net cash and cash equivalents generated (deployed)	$ (936)	$ (4,373)	$ 103

* Excludes capital lease investing and financing of $9,239,000 during the fiscal year ended January 29, 2000; $5,978,000 in the conservative forecast for the fiscal year ended January 27, 2001; and $5,978,000 in the optimistic forecast for the fiscal year ended January 27, 2001.

Post Mortem

on the Prior Year's Forecast Range

Consolidated Statements of Earnings

In its January 30, 1999 annual report, the Company forecast earnings per Common Share in the range of 28 cents to 34 cents for its fiscal year ended January 29, 2000. In its first quarter report dated June 9, 1999 the Company reported that it was slightly ahead of the upper end of its forecast range, and was not revising its forecast range at that time. In its second quarter report dated September 2, 1999 the Company reported that it was 2 cents per share ahead of the upper end of its forecast range, but was not revising its forecast range at that time. Then, in its third quarter report dated December 6, 1999 the Company reported that its results to the end of the third quarter had dropped to just under the top end of the forecast range. The Company went on to indicate that because of weak sales in parts of October and November, followed by the firming up of sales in the last week of November and the first week of December, the Company was now expecting to come in at the bottom end of its forecast range and thus was not revising its forecast at that time. However, the Company stated that it required better sales performance in December than was obtained in November to achieve those expectations. Finally, in its January 17, 2000 monthly sales press release, the Company announced that its sales for the month of December were up 2.3% on last year, but down 3.3% on a same store basis. The release went on to indicate that the sales disappointments were in cold weather-related items and that this sales shortfall was causing the Company to revise its forecast downward to a revised forecast of 23 cents per share for the fiscal year ending January 29, 2000.

(in thousands, except per Common Share)	52 weeks ended January 29, **2000** Actual	Original Forecast Range 52 weeks ended January 29, **2000** Conservative	Optimistic	Revised Forecast 52 weeks ended January 29, **2000** Revised
Corporate and franchise store sales	$ 437,670	$ 455,357	$ 470,211	$ 436,297
Deduct:				
Franchise store sales – Mark's	63,340	66,612	66,612	63,068
Franchise store sales – Work World	59,783	60,216	61,600	59,294
Corporate store sales	314,547	328,529	341,999	313,935
Gross margin	127,824	132,008	137,979	126,380
Franchise royalties and other	6,640	6,881	6,982	6,596
Expenses including goodwill amortization	122,154	124,069	127,254	120,908
Earnings before income taxes	12,310	14,820	17,707	12,068
Income taxes	5,923	7,006	8,280	5,699
Net earnings	$ 6,387	$ 7,814	$ 9,427	$ 6,369
Earnings per Common Share	23¢	28¢	34¢	23¢

In the final analysis, during the fiscal year ended January 29, 2000 the Company delivered total corporate and franchise store sales of $437.7 million, $1.4 million above the revised forecast that had been downgraded by $19.1 million from the bottom end and $33.9 million from the top end of the original forecast range. Despite this large sales shortfall from the original forecast range, which occurred in parts of October, November and December, the Company was able to react to the sales shortfall, and through its open-to-buy system, manage its inventory levels and bring the gross margin rate in at an annual rate of 40.6% compared to the revised forecast of 40.3% and the original forecast range of 40.2% to 40.3%. See the Gross Margin section of the Management's Discussion and Analysis of the Consolidated Statements of Earnings for more detail.

As a result, the Company delivered $127.8 million in gross margin dollars, $1.4 million above the revised forecast, but $4.2 million lower than the bottom end and $10.2 million lower than the top end of the original forecast range.

As the sales shortfall to the original plan unfolded, the Company also reacted by managing expenses aggressively and bringing them down to $122.2 million, some $1.9 million below the original forecast range, but $1.2 million above the revised forecast.

The net result of all of the above was that the Company delivered $12.3 million in pre-tax income. This was $0.2 million above the revised forecast, but $2.5 million or 16.9% lower than its original conservative forecast and $5.4 million or 30.5% lower than its original optimistic forecast.

Consolidated Balance Sheets

The Company's current assets at January 29, 2000 of $101.5 million essentially came in as expected, $0.4 million below the original forecast range.

Capital assets came in $4.0 million above the original forecast range as the Company spent $3.0 million more in capital expenditures during fiscal 2000 than it had originally planned and received $1.0 million from landlords as inducements rather than as reductions to the cost of capital assets as had been planned. The $3.0 million of extra capital expenditures consisted of $1.0 million in the Mark's Division, $0.9 million in the DOCKERS® Stores Division, $0.7 million in the Company's Corporate Services Division and $0.4 million in the Work World Division. The additional capital asset investments in the Mark's and Corporate Services Divisions were primarily in systems equipment, some Y2K-related, and the additional capital asset investments in the DOCKERS® Stores and Work World Divisions were for more and larger than originally planned store projects. See Table 16 in the Management's Discussion and Analysis of the Consolidated Balance Sheets for more details on the additions to capital assets during fiscal 2000.

Goodwill also came in $2.8 million above the original forecast range as the Company set up an additional $2.7 million on the Paul John purchase as outlined in Note 2 to the Consolidated Financial Statements. Note 8 to the Consolidated Financial Statements breaks out the Company's Goodwill as at the end of fiscal 2000, 1999 and 1998.

Future income taxes came in $1.8 million below the forecast range due to differences in the forecast future tax assets and liabilities compared to actuals for fiscal 2000.

On the liability side of the balance sheet, total liabilities came in some $5.3 million higher than the original forecast range. The additional $2.7 million on the Paul John purchase, as outlined above, accounts for $2.0 million of the increase in the total liabilities. Also, during the year, the Company funded $1.5 million more in capital leases than had been planned, deferred gains came in $1.5 million higher than planned, mostly due to the $1.0 million of landlord rebates that were delivered as inducements instead of as reductions to the cost of capital assets as was noted above, and other current payables, excluding the current portion of long-term debt, came in some $0.3 million above plan.

Year-end capital stock came in $0.2 million above plan as fewer shares were purchased for cancellation under the Company's Normal Course Issuer Bid than had been planned.

The Company's year-end current ratio of 1.77-to-1 came in lower than the 1.89-to-1 to 1.91-to-1 forecast primarily because of the higher current liabilities, mostly due to the higher than planned current portion of long-term debt. The Company's year-end total liabilities-to-equity ratio came in at 1.40-to-1, higher than the 1.26-to-1 to 1.28-to-1 forecast because of the higher total debt as discussed above and lower equity as a result of the earnings shortfall to the original forecast.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Despite the fact that net earnings came in $1.4 million below the original forecast range, the actual net cash deployed of $0.9 million in fiscal 2000 was $2.4 million better than the $3.3 million projected cash deployment at the original conservative forecast level and only $1.5 million behind the $0.6 million projected cash generation at the original optimistic forecast level. This occurred because the $1.4 million in net earnings shortfall, from the bottom end of the original forecast range, was offset as future income taxes were a $0.4 million expense rather than the $1.4 million projected benefit, the investment in non-cash working capital was $1.6 million less than planned and financing activities cost $1.4 million less than planned. The above noted $3.4 million reduction from plan in cash deployment was offset by $3.2 million of additional investing activities (primarily the extra spent in the non capital lease portion of capital expenditures and the purchase price adjustment for the Paul John purchase) resulting in the actual change in cash staying within the original forecast range.

(thousands)	52 weeks ended January 29, **2000**	52 weeks ended January 29, **2000**		Variance of Actual to Original	
	Actual	Conservative	Optimistic	Conservative	Optimistic
Cash generated (deployed)					
Operations	$ 16,876	$ 16,596	$ 18,231	$ 280	$ (1,355)
Non-cash working capital	(6,577)	(10,501)	(8,218)	3,924	1,641
Investing, excluding capital leases	(4,142)	(985)	(985)	(3,157)	(3,157)
Financing, excluding capital lease funding	(7,093)	(8,474)	(8,474)	1,381	1,381
Net cash generated (deployed)	$ (936)	$ (3,364)	$ 554	$ 2,428	$ (1,490)

CONSOLIDATED STATEMENTS OF EARNINGS

Sales

In fiscal 2000, the Company grew its total system sales over the prior year by 4.8% as shown in Table 1.

CONSOLIDATED TOTAL SYSTEM SALES

Table 1

	53 weeks ended January 31, **1998** ($000s)	52 weeks ended January 30, **1999** ($000s)	52 weeks ended January 29, **2000** ($000s)	Fiscal 2000 **Over Fiscal 1999** ($000s)	(%)
Mark's Division					
Corporate Stores	249,339**	267,136**	282,463**	15,327	5.7
Franchise stores	62,696	61,801	63,340	1,539	2.5
Total	312,035	328,937	345,803	16,866	5.1
Work World Division					
Corporate Stores	1,002	14,600	29,418	14,818*	100.0+*
Franchise stores	87,495	72,266	59,783	(12,483)*	(17.3)*
Total	88,497	86,866	89,201	2,335	2.7
DOCKERS® Stores Division					
Corporate Stores	—	—	2,666	2,666	N/A
Mark's U.S. Division					
Corporate Stores	1,675**	1,665**	—	(1,665)	(100.0)
Consolidated Total System Sales	402,207	417,468	437,670	20,202	4.8

* Thirty-one Work World Division franchise stores (19 through the purchase of Paul John Enterprises Ltd.) were acquired during the fiscal year ended January 30, 1999 and those stores became full year corporate stores for the fiscal year ended January 29, 2000.

** Excludes inter-group sales.

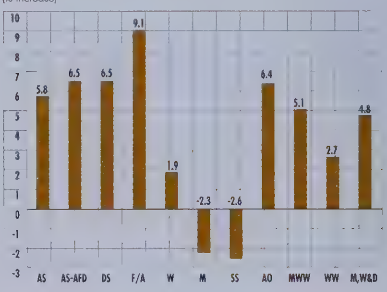
The Company's sales growth in fiscal 2000 over fiscal 1999 compares to retail sales growth in Canada in calendar 1999 over calendar 1998 as shown in Graph 1.

Table 1 and Graph 1 show that in 1999 (fiscal January 2000) the Company's consolidated total system sales growth of 4.8% over 1998 (fiscal January 1999) has underperformed the retail sector sales growth in total, but continues to strongly outperform the sales growth in its market segments within the retail sector, namely men's clothing stores (2.3% decline), shoe stores (2.6% decline) and women's clothing stores (1.9% increase).

Table 2 shows how the Company's sales increase in fiscal 2000 over fiscal 1999, which was strong in the first half of the year, started to soften in the third quarter partly due to the impact of the Eaton's liquidation and was very soft in the fourth quarter due to the lack of winter weather across most of Canada in the months of November and December 1999.

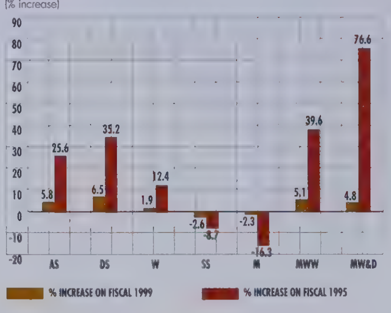
1999 Retail Sales

Graph 1



Merchandise Sector Sales

Graph 2



Graph Legend

Source =
- The industry data in Graphs 1, 2, part of 3 and part of 4 comes from Statistics Canada.
- The industry data in part of Graphs 3, 4 and 5 comes from Trendex North America.
- The industry data in part of Graph 5 comes from the Canadian Apparel Market Monitor.
- All of the industry data in Graphs 6 and 7 comes from Trendex North America.
- All Mark's, Work World and DOCKERS® Stores data comes from the Company's accounting records.

AS = All Stores
AS-AFD = All Stores less auto, food and drug
DS = Department Stores (includes discount department stores)
F/A = Furniture and Appliances
W = Women's Clothing Stores
M = Men's Clothing Stores
SS = Shoe Stores
AO = All Others
MWW = Mark's Division corporate and franchise stores
WW = Work World Division corporate and franchise stores
M,W&D = Mark's, Work World and DOCKERS® Stores Divisions total system sales

CONSOLIDATED TOTAL SYSTEM SALES GROWTH BY QUARTER COMPARED TO INDUSTRY SEGMENTS

Table 2

	Fiscal 2000 Percent Increase (Decrease) **Over Fiscal 1999**				
	M, W & D	M	SS	W	AS
First Quarter	8.3	(5.1)	(0.2)	2.0	5.0
Second Quarter	10.7	(4.3)	(3.7)	0.4	3.6
Third Quarter	5.4	(0.5)	14.5	0.8	8.7
Fourth Quarter	0.1	(0.6)	(15.7)	4.1	5.8
Total Year	4.8	(2.3)	(2.6)	1.9	5.8

However, in all four quarters of 1999 (fiscal 2000) the Company's year-over-year sales growth was much stronger than the growth in men's clothing stores and stronger than the year-over-year sales growth in shoe stores and women's clothing stores in three of the four quarters and for the year in total.

Taking a longer-term view, the Company's sales growth over the last five years has far outpaced the industry growth in apparel and footwear as Graph 2 illustrates.

In addition, as illustrated in Graph 3, the Company continues to increase its market share of the men's clothing store market, and is maintaining its market share of the total men's wear market which includes men's wear sales in department stores. Maintaining its market share of the total men's wear market in 1999 (fiscal 2000) was a significant accomplishment for the Company given the one-time impact of the Eaton's liquidation. On a go-forward basis, although some department stores are abandoning some of their traditional areas to focus more on the men's and ladies' wear markets and although some of the big box discounters are targeting certain apparel commodities, the Company expects to be able to increase its market share in the total men's wear market.

As can be seen in Graph 4, the Company, while not operating in the dress up or athletic footwear businesses, has also been growing its market share of the Canadian men's footwear and shoe store markets.

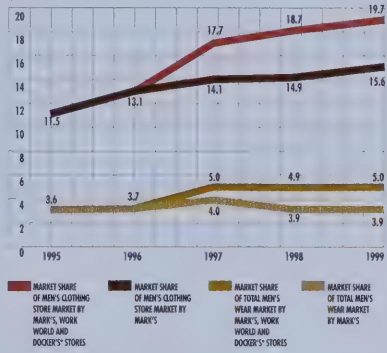
The Company has been, and continues to be, a leader in sales gains in the men's apparel and men's footwear sectors. The Company has managed to generate these sales increases in what has been a soft men's apparel retail climate in the 1990s. See Graph 5.

In the very competitive $6.1 billion men's wear and $0.9 billion men's footwear businesses in Canada, the Company employs strategies specifically tailored to grow its sales. In its Mark's Division, those strategies are "On Concept" real estate activity, category exploitation of the hot categories through merchandise assortment development, targeted marketing events, the rapid development of Business-to-Business sales and development of electronic or Internet sales to customers. In the Work World Division, those strategies are the "Corporate Store Strategy," geographic expansion into central and eastern Canada with corporate stores, targeted marketing events and merchandise assortment development to enhance both corporate and franchise store sales. In the DOCKERS® Stores Division, the strategy is to prove the division's business formula and then begin a roll out of a significant number of stores annually.

Five-Year Men's Apparel Retail Market Share Graph 3

Percentage of Retail Dollar Sales of Men's Clothing Store Market and of Total Men's Wear Market by Mark's (corporate and franchise stores) plus Work World (corporate and franchise stores) in 1999, 1998 and 1997 and DOCKERS® Corporate Stores in 1999

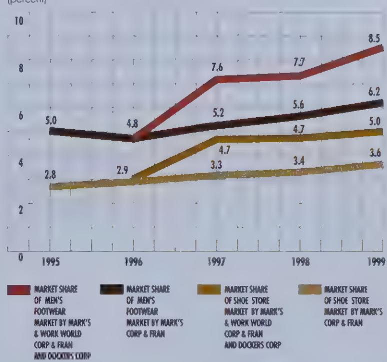
(percent)



Five-Year Footwear Retail Market Share Graph 4

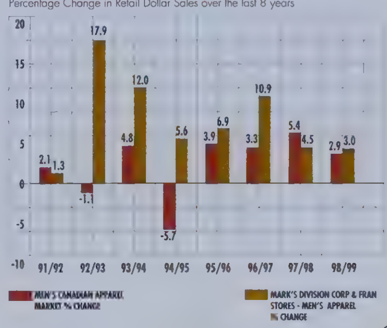
Percentage of Retail Dollar Sales of the Men's Footwear Market and Percentage of Retail Dollar Sales of the Shoe Store Market by Mark's (corporate and franchise stores) plus Work World (corporate and franchise stores) in 1999, 1998 and 1997 and DOCKERS® Corporate Stores in 1999

(percent)



Men's Canadian Apparel Market – Eight-Year Growth Graph 5

Percentage Change in Retail Dollar Sales over the last 8 years



CONSOLIDATED CORPORATE STORE SALES INCREASES – ANALYSIS BY REAL ESTATE ACTIVITY

Table 3

Number of stores As at January 29 2000	53 weeks ended January 31, **1998** ($000s)	52 weeks ended January 30, **1999** ($000s)	52 weeks ended January 29, **2000** ($000s)	Fiscal 2000 Increase/(Decrease) **Over Fiscal 1999** ($000s)	(%)
Mark's Division					
63 Unchanged stores	140,660	148,231	148,702	471	0.3
2 Stores affected by a new store in existing market (1999/1998)	5,262	4,669	3,971	(698)	(14.9)
5 Stores affected by a new store in existing market (2000/1999)	16,209	16,320	13,429	(2,891)	(17.7)
70	162,131	169,220	166,102	(3,118)	(1.8)
14 Relocated, expanded and refurbished stores in fiscal 1998	32,188	33,771	33,649	(122)	(0.4)
9 Relocated, expanded and refurbished stores in fiscal 1999	15,754	18,470	18,027	(443)	(2.4)
11 Relocated, expanded and refurbished stores in fiscal 2000	24,289	24,318	27,437	3,119	12.8
104 Same-store sales subtotal	234,362	245,779	245,215	(564)	(0.2)
7 New stores fiscal 1998 going to full year	7,403	11,429	11,746	317	2.8
7 New stores fiscal 1999 going to full year	—	5,153	9,984	4,831	93.8
6 New stores fiscal 2000 (part year)	—	—	10,205	10,205	N/A
1 Purchased franchise store fiscal 1998 going to full year	607	1,105	1,267	162	14.7
2 Purchased franchise stores fiscal 1999 going to full year	—	1,902	2,408	506	26.6
— Closed in fiscal 1998 (1 store)	299	—	—	—	—
— Closed in fiscal 1999 (1 store)	1,673	24	—	(24)	(100.0)
— Closed in fiscal 2000 (1 store)	1,764	1,755	1,638	(117)	(6.7)
— Other	—	(11)	—	11	100.0
127	246,108	267,136	282,463	15,327	5.7
— 53rd week in fiscal 1998	3,231	—	—	—	—
127 Total Mark's Division*	249,339	267,136	282,463	15,327	5.7
Work World Division					
2 Purchased franchise stores fiscal 1998 going to full year	492	1,265	1,262	(3)	(0.2)
28 Purchased franchise stores fiscal 1999 going to full year	—	10,004	21,731	11,727	100.0+
1 Purchased franchise store fiscal 2000 (part year)	—	—	170	170	N/A
9 New stores fiscal 1999 going to full year	—	2,728	4,736	2,008	73.6
5 New stores fiscal 2000 (part year)	—	—	1,292	1,292	N/A
— Closed in fiscal 1998 (1 store)	510	—	—	—	—
— Closed in fiscal 2000 (1 store)	—	605	28	(577)	(95.4)
— Other	—	(2)	199	201	100.0+
45 Total Work World Division	1,002	14,600	29,418	14,818	100.0+
DOCKERS® Stores Division					
5 New Stores fiscal 2000 (part year)	—	—	2,666	2,666	N/A
Mark's U.S. pilot closed in fiscal 2000 (2 stores)*	1,675	1,665	—	(1,665)	(100.0)
177	252,016	283,401	314,547	31,146	11.0

* Excludes inter-group sales

Table 3 shows that the Company has positively affected its corporate store sales growth by its real estate activities. In the Mark's Division, real estate activity over the last three years has caused corporate store sales increases to be larger than they would have otherwise been. In fiscal 2000, real estate activity caused the year-over-year corporate store sales change to increase from a negative $3.1 million or 1.8% decline for its unchanged and affected corporate stores, to a positive $15.3 million or 5.7% total corporate store sales growth over fiscal 1999. Similarly, in fiscal 1999, real estate activity caused corporate store sales increases to grow from the $7.1 million or 4.4% growth on its unchanged and affected corporate stores to $17.8 million or 7.1% in total corporate store sales growth. In addition, each year the Company carries out an in-depth "Post Audit" process on each new or relocated, expanded or refurbished store to ensure that the rate of return on each project and overall corporate success rates on real estate-related capital expenditures are meeting pre-set Company criteria.

The Work World Division has transformed from having no corporate stores as at January 25, 1997 to having 45 corporate stores as at January 29, 2000. This was accomplished over the last three years by purchasing 35 franchise stores (see Table 8), closing four of the purchased stores (two immediately on purchase) and opening 14 new corporate stores, as part of this division's "Corporate Store Strategy." Over time, the 31 (net of closures) purchased franchise stores that are not "On Concept" will be brought "On Concept" and these stores, along with the 14 new On Concept stores, will provide the corporate store base to which additional new corporate stores and some purchased franchise stores will be added.

Also, in fiscal 2000, the Company opened five DOCKERS® Stores Division stores, as a test. The Company discontinued its Mark's U.S. pilot by closing its two Mark's U.S. pilot stores so that it could re-allocate those corporate resources to the DOCKERS® Stores Division, as the Company did not want to be operating more than one major test at a time.

In fiscal 2000, 82.2% (82.0% in fiscal 1999 and 81.3% in fiscal 1998) of the Company's Mark's Division corporate store sales were supported by marketing activities and 86.7% of the fiscal 2000 sales increase over fiscal 1999 occurred during marketing events. Thus, marketing activities continue to drive sales growth.

The Mark's Division also monitors store traffic in about 60 of its corporate stores (33 comparable stores in fiscal 2000) and the average ticket prices on products sold in all its stores to assess the value of its marketing activities. In addition, the Mark's Division conducts post mortems on the strengths and weaknesses of each marketing event once it has been completed. The Company is also using this technology in the Work World Division now that it has a 45-corporate store base and in its DOCKERS® test stores to enhance sales growth in those divisions as well.

CONSOLIDATED CORPORATE STORE SALES BY CATEGORY

Table 4

	53 weeks ended January 31, **1998**		52 weeks ended January 30, **1999**		52 weeks ended January 29, **2000**		Fiscal 2000 Increase/ (Decrease) **Over Fiscal 1999**
	($000s)	Blend (%)	($000s)	Blend (%)	($000s)	Blend (%)	(%)
Work apparel including industrial outerwear	28,729	11.4	30,352	10.7	34,107	10.8	12.4
Men's casual wear including casual outerwear*	86,874	34.4	101,985	36.0	114,055	36.3	11.8
Men's jeans	36,674	14.6	38,944	13.7	40,170	12.8	3.1
Casual and industrial footwear*	48,604	19.3	55,664	19.6	60,461	19.2	8.6
Accessories*	35,761	14.2	38,567	13.6	41,450	13.2	7.5
Ladies' wear*	12,673	5.0	16,044	5.7	24,051	7.6	49.9
Other	2,701	1.1	1,845	0.7	253	0.1	(86.3)
	252,016	100.0	283,401	100.0	314,547	100.0	11.0

* Depending on the year, approximately 3% to 5% of the sales in men's casual wear and 6% of the sales in accessories are in ladies' items. In addition, approximately 10% of footwear sales are in ladies' items.

Table 4 summarizes the Company's total sales by major product category. In fiscal 2000, the Company continued to experience stellar growth in ladies' wear (primarily casual pants and casual tops). Within the Company's men's casual wear category, men's casual bottoms grew by 45.4% primarily in private-label khakis and shorts while sales in casual outerwear, declined by 2.0%. Sales also declined in the winter components of casual footwear and sales were soft in winter accessories (hats, gloves, winter socks, winter underwear) as most of the country once again did not experience much winter weather in November and December 1999. As noted in last year's annual report, while the Company remains focused on maintaining its position as a dominant cold weather clothing and footwear store in Canada, it has continued to carefully reduce the number of styles offered and thus, the floor space attributable to cold weather commodities in favour of other non-winter products in order to be a little less weather dependent. See "Risk Factors" of the Management's Discussion and Analysis.

Table 4 also shows that the blend of men's jeans sales is decreasing as a result of the global trend away from denim to khakis at this time. However, within this commodity the Company is still managing to increase the sales in its private label denim while experiencing a decline in sales in national brand denim, specifically Levis. As well, in fiscal 2000, within the men's casual wear category the Company's sales in fleece decreased, as this is also a commodity with a declining sales trend in the Canadian apparel market place at this time.

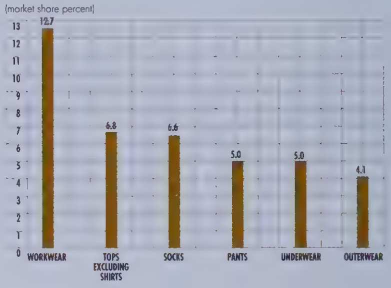
Another growth area for the Company is Business-to-Business sales. Business-to-Business sales are apparel and footwear sales to corporate and public sector customers that cover the gambit from embroidered golf shirts for a corporation's annual golf day to full uniforms (industrial or casual) for a corporate customer's entire work force. This activity is more fully described under "Focus on Customers – Mark's Division, Business-to-Business."

Over the last two years, the Company's Mark's Division has grown the revenue derived from Business-to-Business sales by 36.4% and this activity now contributes 8.0% of the Mark's Division corporate stores sales (fiscal January, 1999 7.2%; fiscal January, 1998 6.7%).

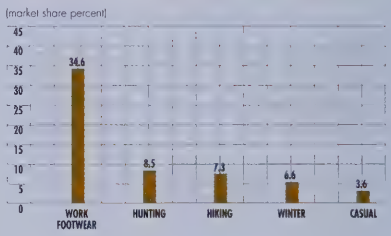
This business unit is targeting specific sectors of the general economy and is supported by an expanding, skilled sales force, marketing campaigns and internal and web-based computer systems including electronic links with many of its Business-to-Business customers. The Company sees this business unit as one of its hot growth areas going forward.

Graph 6 shows Mark's Division's fiscal 2000 market share in selected apparel commodities to further highlight the division's positioning in the apparel industry in Canada. Graph 7 depicts the Mark's Division fiscal 2000 market share in selected footwear commodities to highlight the division's positioning in the footwear industry in Canada.

Mark's Division Market Share in Fiscal 2000 (Calendar 1999) of Selected Apparel Commodities
Graph 6

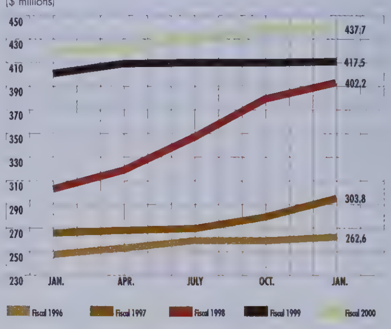


Mark's Division Market Share in Fiscal 2000 (Calendar 1999) of Selected Footwear Commodities
Graph 7



Five-Year Sales To January 29, 2000
Graph 8

Mark's (corporate and franchise sales) plus Work World (corporate and franchise sales since December 1, 1996) plus DOCKERS® Corporate (sales since August 19, 1999)
Rolling 12-month
($ millions)



GROSS MARGIN

After a slight dip in the gross margin rate in fiscal 1999 from fiscal 1998 because of the short-term impact of the Work World "Corporate Store Strategy", the Company resumed its course and recorded improvements in its gross margin rate in fiscal 2000 over fiscal 1999. As Table 5 shows, the consolidated gross margin rate improved to 40.6% from 40.3% a year ago, as improvements in initial purchase markup and shrink were partially offset by higher markdowns, customer adjustments, freight costs and other costs. These improvements were no small accomplishment in light of the environment that the Company operated in, particularly in the second half of the year. To be more specific, Graph 1 and Table 2 show, while overall retail sales in Canada grew throughout 1999, men's specialty store sales and shoe store sales decreased. Growth in these segments of the retail sector was negative partly due to the volume taken from these market segments by the Eaton's liquidation, which affected customer purchasing patterns during the third and fourth quarters and put additional pressure on markdown activity, partly because customer purchases of seasonal apparel and footwear items did not take place at traditional levels in the third and fourth quarters of 1999 due to the lack of winter weather in the months of October, November and December in most of the country, and partly because consumers directed more of their spending dollars in 1999 to big-ticket items such as furniture, appliances, electronics and autos.

Within the divisions, the Mark's Division's gross margin rate improved by 0.7% and the Work World Division's gross margin rate improved by 1.1%. A lower than planned gross margin rate in the start-up DOCKERS® Stores Division occurred due to stores being delivered later by the landlords than had been planned and this caused the consolidated gross margin rate improvement to be only 0.3% in fiscal 2000 over fiscal 1999. The improvement in the Mark's Division can be largely attributed to an improved purchase markup achieved through the continuation of the conversion of the purchases of import merchandise from indirect import purchases to direct import purchases resulting in lower landed costs and through the better management of product selection and mix from domestic manufacturers. The Company continues to regularly perform competitive shops in order to ensure that its products are competitively priced. Product sourcing and mix are adjusted regularly to ensure that the Company is maintaining its desired margin rates while meeting the consumers' value for price equation. Soft sales in seasonal apparel and footwear in the fall of 1999 caused the Company to adjust its inventory purchase quantities through its open-to-buy system to the maximum extent possible and thus it was able to manage to acceptable year-end inventory levels in seasonal items.

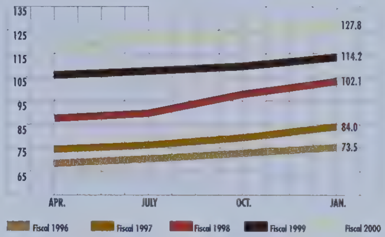
Consolidated markdowns and customer adjustments increased to 7.2% of sales in fiscal 2000, an increase of 0.9 of a percentage point over the prior year. Most of this increase was attributable to the Eaton's liquidation and the mild fall both of which forced the Company to adjust prices in an effort to minimize the effects of the Eaton's liquidation and the amount of seasonal carryover of winter product.

Five-Year Gross Margin Dollars to January 29, 2000

Graph 9

Over 100 Mark's corporate stores and 45 Work World corporate stores by the end of fiscal 2000 (41 at the end of fiscal 1999, three at the end of fiscal 1998 and none in prior years) and five DOCKERS® Corporate Stores (by the end of fiscal 2000 and none in prior years) Rolling 12-month

($ millions)

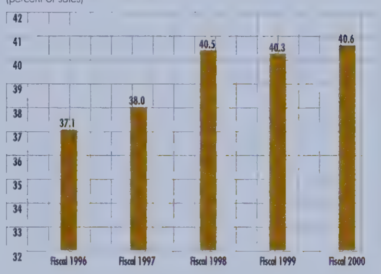


Five-Year Gross Margin Rate To January 29, 2000

Graph 10

Over 100 Mark's corporate stores and 45 Work World corporate stores by the end of fiscal 2000 (41 at the end of fiscal 1999, three at the end of fiscal 1998 and none in prior years) and five DOCKERS® Corporate Stores (by the end of fiscal 2000 and none in prior years)

(percent of sales)



Gross Margin Rate

Table 5

	53 weeks ended January 31, **1998**	52 weeks ended January 30, **1999**	52 weeks ended January 29, **2000**	Fiscal 2000 Improvement/ (Deterioration) **Over Fiscal 1999**
Purchase markup	49.9%	49.9%	51.2%	1.3%
Freight	(2.1%)	(2.0%)	(2.3%)	(0.3%)
	47.8%	47.9%	48.9%	1.0%
Markdowns and customer adjustments	(6.2%)	(6.3%)	(7.2%)	(0.9%)
Shrink	(0.7%)	(0.9%)	(0.6%)	0.3%
Other	(0.4%)	(0.4%)	(0.5%)	(0.1%)
	40.5%	40.3%	40.6%	0.3%

The Company has now maintained consolidated inventory shrink levels at less than 1% over the past four years. Receiving, transfer and security programs have allowed the Company to maintain these shrink levels well below industry averages.

Consolidated freight costs increased from 2.0% a year ago to 2.3% in fiscal 2000, due largely to the Company's direct import activity which has resulted in much of the 1.3% improvement in initial purchase markup.

Of the $13.6 million increase in gross margin dollars in fiscal 2000 over fiscal 1999, $12.5 million or 91.9% is attributable to sales increases, and $1.1 million or 8.1% is attributable to the gross margin rate improvement.

The performance of the Mark's Division private label bottoms and ladies' wear accounted for $6.5 million or 80.2% of the $8.1 million increase in the Mark's Division gross margin dollars in fiscal 2000 over fiscal 1999. In addition, the increase in the number of Work World corporate stores to more than 40 stores operating for a full year [compared to a quarter of the year 1998 (fiscal 1999)], resulted in an increase of $5.6 million in gross margin dollars in the Work World Division. The DOCKERS® Stores Division gross margin dollars were less than the Mark's U.S. pilot gross margin dollars in the prior year, as the DOCKERS® stores were only open for part of the fall season in fiscal 2000.

The purchase markup in consolidated corporate store end-of-year inventories of 49.7% is up from 48.8% at January 30, 1999 and 48.5% at January 31, 1998. The Company anticipates that the consolidated purchase markup will continue to improve moderately in fiscal 2001.

Front Line Expenses

During fiscal 2000, consolidated front-line expenses increased by $11.1 million or 13.0% and increased as a percentage of sales from 30.0% in fiscal 1999 to 30.6% in fiscal 2000. Consolidated front-line expenses increased as a percentage of sales due to the impact of the Work World and DOCKERS® Stores Divisions which have higher front-line expenses as a percentage of sales, as these are immature corporate operations. The Work World Division launched its "Corporate Store Strategy" in the second half of 1998 (fiscal 1999) and the DOCKERS® Stores Division was a start-up operation in fall 1999 (fiscal 2000).

On the positive side, due to the improvement in efficiencies in the Company's Mark's Division (the Company's flagship division), consolidated front-line expenses decreased as a cost per average retail square foot to $74.19 from $76.20. The Work World Division accounted for $7.7 million or 69.0% of the increase in front-line expenses. This occurred because the Company's "Corporate Store Strategy" in the Work World Division resulted in the purchase and conversion of 31 Work World franchise stores to Work World corporate stores and the opening of nine new Work World corporate stores in fiscal 1999, mostly in the second half. Thus, the majority of the current year increase in the Work World Division's front-line expenses was the result of these stores going to full year stores in fiscal 2000. In addition, the Work World Division added five more new stores and purchased another franchise store in fiscal 2000.

The Mark's Division front-line expenses increased by $2.8 million or 3.6% over the prior year. This increase, on a percentage basis, was less than the 7.5% increase in retail square feet in the division in fiscal 2000 over fiscal 1999. As a result, in the Mark's Division, front-line expenses decreased as a percentage of sales and as a cost per average retail square foot, as the division became more efficient in fiscal 2000. Front-line expense increases in the Mark's Division came primarily from increases in the staff, occupancy and depreciation associated with the 83,068 retail square feet added in fiscal 2000 as the division continues to bring stores "On Concept" and opens new "On Concept" stores consistent with the Company's Strategic Plan.

In fiscal 2000, the Mark's Division spent $1.0 million less in advertising than it did in fiscal 1999 as the division decreased the amount it spent on television advertising in the 1999 fall season. On a rate basis, the Mark's Division decreased its front-line expenses from 29.7% of sales in fiscal 1999 to 29.1% of sales in fiscal 2000. The DOCKERS® Stores Division incurred $1.8 million of front-line expenses in fiscal 2000, as the Division opened five pilot stores in the fall season. Since the Company provided fully for the closure of its Mark's U.S. Division as at January 30, 1999, front-line expenses associated with this division decreased from $1.2 million a year ago to nil in the current year.

Short-term interest decreased by $0.4 million as fewer fall products were carried over from fall 1998 to fall 1999 than had been carried over from fall 1997 to fall 1998. In addition, in fall 1998, $5.0 million of the Company's revolving credits were converted to term debt, thus shifting the interest expense thereon from short-term to long-term in 1999 (fiscal 2000).

With the five fiscal 2001 planned corporate store openings in the Work World Division and three in the DOCKERS® Stores Division, the Company will continue to experience pressure on front-line expenses. Nevertheless, the Company is planning to reduce front-line expenses slightly as a rate of sales in fiscal 2001 as shown in its optimistic forecast. See Forecast.

CONSOLIDATED FRONT-LINE EXPENSES

Table 6

	53 weeks ended January 31, **1998**	52 weeks ended January 30, **1999**			52 weeks ended January 29, **2000**			Fiscal 2000 Increase/(Decrease) **Over Fiscal 1999**	
	($000s)	($000s)	(%) of Sales	Per Avg. Retail sq.ft.($)	($000s)	(%) of Sales	Per Avg. Retail sq.ft.($)	($000s)	(%)
Staff	23,508	25,430	9.0	22.77	29,602	9.4	22.83	4,172	16.4
Advertising	12,664	14,502	5.1	12.99	14,619	4.6	11.27	117	0.8
Occupancy	21,862	25,868	9.1	23.16	31,094	9.9	23.98	5,226	20.2
Other	10,902	11,937	4.2	10.69	13,051	4.2	10.06	1,114	9.3
Depreciation and amortization	4,724	5,350	1.9	4.79	6,231	2.0	4.81	881	16.5
Interest short-term	656	2,015	0.7	1.80	1,610	0.5	1.24	(405)	(20.1)
	74,316	85,102	30.0	76.20	96,207	30.6	74.19	11,105	13.0

FRANCHISE OPERATIONS

Table 7 summarizes the Company's assessment of the contribution it receives from its franchise activities:

FRANCHISE CONTRIBUTION

Table 7

	53 weeks ended January 31, **1998** ($000s)	52 weeks ended January 30, **1999** ($000s)	52 weeks ended January 29, **2000** ($000s)	Fiscal 2000 Increase/(Decrease) **Over Fiscal 1999** ($000s)	(%)
Mark's franchise operations					
Franchise sales	62,696	61,801	63,340	1,539	2.5
Franchise royalties	4,054	3,965	4,075	110	2.8
Other income	42	20	—	(20)	(100.0)
	4,096	3,985	4,075	90	2.3
Expenses:					
Bad debt provisions (recovery) on franchise receivables	(7)	32	150	118	100.0+
Estimate of franchise operations share of front-line costs*	110	110	110	—	—
Estimate of franchise operations share of back-line costs*	3,036	3,258	3,200	(58)	(1.8)
	3,139	3,400	3,460	60	1.8
Contribution by Mark's franchise operations	957	585	615	30	5.1
Work World franchise operations					
Franchise sales**	87,495	72,266	59,783	(12,483)	(17.3)
Franchise royalties**	3,281	2,863	2,470	(393)	(13.7)
Fees from sales of franchises	79	15	11	(4)	(26.7)
Other income	148	153	84	(69)	(45.1)
	3,508	3,031	2,565	(466)	(15.4)
Expenses:					
Bad debt provisions on franchise receivables	467	187	150	(37)	(19.8)
Severance and relocation costs	435	—	—	—	—
Back-line costs***	3,193	2,930	1,992	(938)	(32.0)
Other	(99)	127	—	(127)	(100.0)
	3,996	3,244	2,142	(1,102)	(34.0)
Contribution by Work World franchise operations before other expenses****	(488)	(213)	423	636	100.0+
Other expenses:					
Acquisition financing costs	509	365	260	(105)	(28.8)
Goodwill amortization	211	211	211	—	—
	720	576	471	(105)	(18.2)
Contribution by Work World franchise operations	(1,208)	(789)	(48)	741	93.9
Total franchise operations	(251)	(204)	567	771	100.0+

* Mark's Division and Corporate services back-line costs are allocated to Mark's Division franchise operations based on Mark's Division franchise sales as a percentage of Mark's Division total system sales applied to Mark's Division and Corporate Services back-line costs net of cost recoveries and excluding those costs deemed not applicable to the Mark's Division franchise operations. The cost of two district managers is assumed for front-line costs related to the operation of the Mark's Division franchise stores.

** 31 Work World franchise stores were converted to corporate stores in fiscal 1999 causing a reduction in franchise store sales and royalties going forward.

*** Starting in fiscal 1999 Work World Division back-line costs are allocated to Work World Division franchise operations based on Work World franchise sales as a percentage of total system sales for the Work World Division. As a result of this allocation, Work World back-line costs charged to franchisees were restated from $3,286,000 to $2,930,000 in fiscal 1999.

**** Excludes $2,676,928 negative contribution from the Work World Division corporate stores in fiscal 2000 ($112,980 negative contribution in fiscal 1999 and $36,000 negative contribution in fiscal 1998).

During fiscal 2000, the Mark's Division franchise operations posted a sales increase of $1.5 million or 2.5% over fiscal 1999. Same store sales increased by $1.4 million or 2.4%. As Table 7 shows, the contribution of $615,000 to the Mark's Division by the Mark's franchises was up a modest $30,000 or 5.1% from fiscal 1999. The Mark's Division franchise operations' sales continue to decrease slightly as a percentage of total system sales in the Mark's Division. They represented 18.3% of the division's corporate store and franchise store sales combined in fiscal 2000 (fiscal 1999 18.8% fiscal 1998 20.1%). The Mark's Division franchise operation is very stable and is expected to shrink a little over time, with the occasional franchisee selling his or her store back to the Company.

During fiscal 2000, the Work World Division franchise operations posted a sales decrease of $12.5 million or 17.3%. This was primarily the result of the division purchasing 31 franchise stores and converting them to corporate stores in the latter part of fiscal 1999. Same store sales increased by 1.0 million or 1.7%. Table 7 shows that the contribution to the Work World Division by the Work World franchises before acquisition financing costs and goodwill amortization was $423,000 in fiscal 2000 compared to a negative contribution of $213,000 in fiscal 1999. This occurred as the back-line costs allocated to franchise operations reduced by more than the decrease in the division's revenues from franchises as the allocation calculation was impacted by both the 31 franchise stores converted to corporate stores in fiscal 1999 and the opening of 14 new corporate stores (five in fiscal 2000 and nine in fiscal 1999).

Table 8 shows the change in the number of franchise stores in both divisions during fiscal 2000, fiscal 1999 and fiscal 1998.

CHANGES IN THE NUMBERS OF FRANCHISE STORES

Table 8

	53 weeks ended January 31, **1998**	52 weeks ended January 30, **1999**	52 weeks ended January 29, **2000**
Mark's franchise stores			
Number of stores at beginning of year	33	31	29
Number of new stores opened	—	—	1
Number of stores closed	(1)	—	(1)
Number of stores purchased as corporate stores	(1)	(2)	—
Number of stores at end of year	31	29	29
Work World franchise stores			
Number of stores at beginning of year	150	139	105
Adjustment to prior year store count	—	1	—
Number of new stores opened	4	—	1
Number of stores closed	(12)	(4)	(3)
Number of stores purchased as corporate stores	(3)*	(31)	(1)
Number of stores at end of year	139	105	102
Total number of franchise stores	170	134	131

* There was goodwill on only one of these three purchased Work World franchise stores.

BACK-LINE EXPENSES

Table 9 shows that back-line expenses in total have increased by $3.7 million or 16.9% from fiscal 1999 amounts. Over half of this increase came from staff costs that increased by $2.1 million or 19.9% over fiscal 1999. The Mark's Division recorded back-line staff cost increases of $1.3 million, while Work World back-line staff costs decreased by $0.6 million. The increase in the new DOCKERS® Stores Division back-line staff costs of $0.3 million was mostly offset by the decrease in the closed Mark's U.S. Division of $0.2 million. In addition, back-line staff costs for the Company's Corporate Services Division increased by $1.3 million as a direct result of support services required to operate the Company's new DOCKERS® Stores Division and the "Corporate Store Strategy" in the Company's Work World Division.

Long-term interest expense increased by $1.0 million over the prior year, as the Company obtained $10.0 million of syndicated term bank financing in the fourth quarter of fiscal 1999 on which borrowing there was a full year of interest expense in fiscal 2000. In addition, the Company has continued to finance a significant portion of its store capital expenditures and system requirements through capital lease financing of fixtures, equipment, computer equipment and operating software. See "Table 17 Long-Term Debt."

Depreciation and amortization expense on computer capital leases increased by $0.7 million over a year ago, due in large part to system capital lease additions of $2.8 million in fiscal 1999 depreciated for a full year in fiscal 2000, and system capital lease additions of $3.4 million in fiscal 2000 depreciated for a partial year in fiscal 2000. See Table 16 "Capital Assets."

In fiscal 2000, back-line costs, excluding interest long-term and depreciation and amortization, of $19.8 million were up $2.0 million over last year's $17.8 million and have remained as a similar percentage of total systems sales over the last three years: January 29, 2000 at 4.5% (January 30, 1999: 4.3%; January 31, 1998: 4.7%).

CONSOLIDATED BACK-LINE EXPENSES

Table 9

	53 weeks ended January 31, **1998**	52 weeks ended January 30, **1999**		52 weeks ended January 29, **2000**		Fiscal 2000 Increase/(Decrease) **Over Fiscal 1999**	
	($000s)	($000s)	(%) of Corp. & Franchise Sales	($000s)	(%) of Corp. & Franchise Sales	($000s)	(%)
Staff	10,214	10,394	2.5	12,458	2.8	2,064	19.9
Occupancy	978	998	0.2	1,015	0.2	17	1.7
Other	4,666	4,730	1.1	4,132	0.9	(598)	(12.6)
Computer services							
Services	946	571	0.1	687	0.2	116	20.3
Depreciation and amortization	1,485	2,050	0.5	2,751	0.6	701	34.2
Interest – long term	540	659	0.1	668	0.2	9	1.4
Software development & maintenance costs	815	906	0.2	1,201	0.3	295	32.6
Depreciation and amortization	618	661	0.2	621	0.1	(40)	(6.1)
Interest – long term	1,136	691	0.2	1,739	0.4	1,048	100.0+
	21,398	21,660	5.1	25,272	5.7	3,612	16.7
Severance and relocation costs	435	—	—	—	—	—	—
Costs related to the unsuccessful and unsolicited bid for the Company's Common Shares	416	—	—	—	—	—	—
	22,249	21,660	5.1	25,272	5.7	3,612	16.7
Franchise bad debt provisions	460	219	0.1	300	0.1	81	37.0
Total back-line expenses	22,709	21,879	5.2	25,572	5.8	3,693	16.9

CONSOLIDATED EBITDA AND PRE-TAX EARNINGS BEFORE GOODWILL AMORTIZATION

Table 10 shows the pre-tax earnings before interest, depreciation and amortization (EBITDA) increased from $22.7 million a year ago to $26.3 million in fiscal 2000, an increase of 15.7%. Of this increase, $1.8 million came in the Mark's Division, $0.5 million came from the Corporate Services Division and a $3.9 million improvement came from last year's Mark's U.S. Division operations loss and the provision for closure costs not recurring in fiscal 2000. These improvements were partially offset by the negative EBITDA in the Company's new DOCKERS® Stores Division and by the decrease in EBITDA in the Work World Division. The Company's EBITDA margin over the last three years has ranged between 8.0% and 8.7% of corporate store sales.

The combination of the $13.6 million increase in gross margin dollars, $11.1 million increase in front-line expenses, $0.4 million decrease in franchise royalties and other, $3.7 million increase in back-line expenses and $3.0 million decrease in provision for closure of the Mark's U.S. pilot stores produced pre-tax earnings before goodwill amortization in fiscal 2000 of $12.7 million, which is $1.4 million or 12.1% higher than the prior year. The pre-tax earnings before goodwill amortization by operation is outlined in Table 11.

The Mark's Division posted a year-over-year growth in pre-tax earnings before goodwill amortization of 8.9%, as sales shortfalls from plan, primarily in winter-related commodities, were largely offset by a continued gross margin rate improvement and expenses were managed and delivered below plan. The improvement in pre-tax earnings before goodwill amortization in the Mark's Division was partially offset by a $0.8 million or 7.1% increase on Corporate Services costs in fiscal 2000 over fiscal 1999 incurred to support DOCKERS® Stores and Work World. As well, the losses, including closure costs, in the Company's Mark's U.S. Division in fiscal 1999 were replaced with start-up losses in the Company's new DOCKERS® Stores Division and increased losses, caused by the conversion to corporate stores, in the Work World Division.

CONSOLIDATED EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

Table 10

	53 weeks ended January 31, **1998**	52 weeks ended January 30, **1999**	52 weeks ended January 29, **2000**	Fiscal 2000 Increase/(Decrease) **Over Fiscal 1999**	
	($000s)	($000s)	($000s)	($000s)	(%)
Mark's Division	32,045	34,026	35,796	1,770	5.2
Work World Division	(311)	510	43	(467)	(91.6)
DOCKERS® Stores Division	—	—	(2,116)	(2,116)	N/A
Corporate Services	(8,852)	(7,922)	(7,418)	504	6.4
Mark's U.S. Division	(1,051)	(3,876)*	—	3,876	100.0
	21,831	22,738	26,305	3,567	15.7
EBITDA as percentage of total systems sales	5.4%	5.4%	6.0%		
EBITDA as percentage of corporate sales	8.7%	8.0%	8.4%		

* Mark's U.S. Division includes $2,961,000 of closure costs in fiscal 1999

CONSOLIDATED PRE-TAX EARNINGS BEFORE GOODWILL AMORTIZATION

Table 11

	53 weeks ended January 31, **1998**	52 weeks ended January 30, **1999**	52 weeks ended January 29, **2000**	Fiscal 2000 Increase/(Decrease) **Over Fiscal 1999**	
	($000s)	($000s)	($000s)	($000s)	(%)
Mark's Division	26,875	27,520	29,968	2,448	8.9
Work World Division	(524)	(288)	(2,169)	(1,881)	(100.0+)
DOCKERS® Stores Division	—	—	(2,406)	(2,406)	N/A
Corporate Services	(12,459)	(11,865)	(12,708)	(843)	(7.1)
Mark's U.S. Division	(1,220)	(4,055)*	—	4,055	100.0
	12,672	11,312	12,685	1,373	12.1
Pre-tax before goodwill amortization as a percent of total system sales	3.2%	2.7%	2.9%		
Pre-tax before goodwill amortization as a percent of corporate sales	5.0%	4.0%	4.0%		

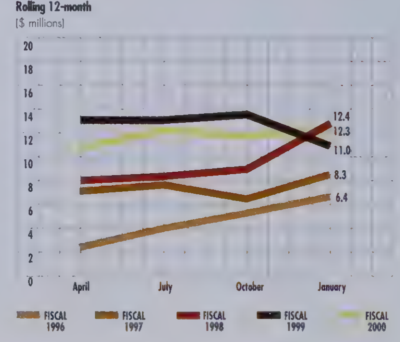
* Mark's U.S. Division includes $2,961,000 of closure costs in fiscal 1999

Graph 11 shows the growth in pre-tax earnings after goodwill amortization over the last five years.

Table 12, a three-year operations table, and Table 13, a three-year table of front-line operations by division, allow readers to review the Company's performance by season and by division.

Five-Year Pre-Tax Income After Goodwill Amortization

Graph 11



THREE-YEAR OPERATIONS

Table 12

(dollar amounts in thousands, except sales per retail square foot and gross margin return on space)	53 weeks ended January 31, **1998**			52 weeks ended January 30, **1999**			52 weeks ended January 29, **2000**		
	Spring	Fall	Total	Spring	Fall	Total	Spring	Fall	Total
Consolidated Statement of Earnings									
Corporate and franchise sales	$ 141,764	$ 260,443	$ 402,207	$ 152,711	$ 264,757	$ 417,468	$ 167,338	$ 270,332	$ 437,670
Corporate sales	$ 86,592	$ 165,424	$ 252,016	$ 100,105	$ 183,296	$ 283,401	$ 119,971	$ 194,576	$ 314,547
Gross margin (%)	39.7	41.0	40.5	40.4	40.3	40.3	40.8	40.5	40.6
Front-line expenses	$ 31,077	$ 43,239	$ 74,316	$ 35,975	$ 49,127	$ 85,102	$ 43,269	$ 52,938	$ 96,207
Front-line contribution	$ 3,262	$ 24,515	$ 27,777	$ 4,463	$ 24,673	$ 29,136	$ 5,738	$ 25,879	$ 31,617
Front-line contribution (%)	3.8	14.8	11.0	4.5	13.5	10.3	4.8	13.3	10.1
Franchise royalties and other	$ 2,708	$ 4,896	$ 7,604	$ 2,717	$ 4,299	$ 7,016	$ 2,535	$ 4,105	$ 6,640
Back-line expenses including goodwill amortization	$ 10,407	$ 12,570	$ 22,977	$ 10,863	$ 11,332	$ 22,195	$ 10,853	$ 15,094	$ 25,947
Provision for closure of Mark's U.S. pilot stores	—	—	—	—	$ 2,961	$ 2,961	—	—	—
Pre-tax earnings (loss)	$ (4,437)	$ 16,841	$ 12,404	$ (3,683)	$ 14,679	$ 10,996	$ (2,580)	$ 14,890	$ 12,310
Mark's corporate stores									
Open at start of period	107	109	107	114	115	114	122	125	122
Opened	3	4	7	1	6	7	3	3	6
Franchise purchases	—	1	1	1	1	2	—	—	—
Closed	(1)	—	(1)	(1)	—	(1)	—	(1)	(1)
Open at end of period	109	114	114	115	122	122	125	127	127
Mark's U.S. corporate stores									
Open at end of period	1	1	1	1	2	2	1	—	—
Work World corporate stores									
Open at end of period	1	3	3	10	41	41	41	45	45
Franchise stores									
Open at end of period									
Mark's	32	31	31	30	29	29	29	29	29
Work World	144	139	139	129	105	105	105	102	102
DOCKERS® corporate stores									
Open at end of period	—	—	—	—	—	—	—	5	5
Mark's corporate stores sales per retail sq. ft.*	$ 93	$ 163	$ 256	$ 95	$ 157	$ 252	$ 95	$ 144	$ 239
Work World corporate stores sales per retail sq. ft.***	—	—	—	—	—	—	$ 86	$ 131	$ 217
Corporate operations inventory turns (times)									
Consolidated	0.9	1.3	2.2	0.7	1.1	1.8	0.8	1.0	1.8
Mark's Division	0.9	1.3	2.2	0.8	1.1	1.9	0.8	1.2	2.0
Work World Division	—	0.5	0.5	0.4	0.7	1.1	0.4	0.6	1.0
DOCKERS® Stores Division	—	—	—	—	—	—	0.0	0.7	0.7
Mark's U.S. Division	0.3	0.7	1.0	0.4	0.6	1.0	—	—	—
Operating line**									
Highest usage	$ 22,000	$ 24,600	$ 24,600	$ 30,491	$ 44,277	$ 44,277	$ 25,260	$ 32,921	$ 32,921
Lowest usage	$ 0	$ 0	$ 0	$ 842	$ 0	$ 0	$ 0	$ 0	$ 0
Mark's corporate stores total sales area (sq. ft.)									
Stores open at beginning of year			914,622			1,019,244			1,111,985
Opened/expanded/purchased from franchisees			115,422			98,806			85,984
Closed/downsized			(10,800)			(6,065)			(2,916)
Stores open at end of year			1,019,244			1,111,985			1,195,053
Mark's U.S. corporate stores total sales area (sq. ft) at end of year			13,350			13,282			—
Work World corporate stores total sales area (sq. ft.)									
Stores open at beginning of year			—			5,929			131,210
Opened/expanded/purchased from franchisees			5,929			125,281			20,705
Closed/downsized			—			—			(8,936)
Stores open at end of year			5,929			131,210			142,979
DOCKERS® corporate stores total sales area (sq. ft.) end of year			—			—			16,529
Gross margin return on investment (times)									
Mark's Division			1.7			1.5			1.6
Work World Division			—			1.1			0.9
DOCKERS® Stores Division			—			—			0.3
Gross margin return on space ($ per sq. ft)									
Mark's Division			$ 104.7			$ 101.8			$ 101.1
Work World Division***			—			$ 75.8			$ 78.7

* Calculated on stores open and at the same store size for an entire season.
The Company breaks the year down into two seasons: Spring – February though July; Fall – August through January.

** Excludes outstanding letters of credit, which had a highest outstanding amount of $8,977,633 in January 2000.

*** All Work World corporate stores are part-year stores in fiscal 1999 and 1998 and thus, no sales per square foot has been calculated.
As well, no gross margin return on space for Work World was calculated in fiscal 1998 as there were only 3 divisional corporate stores at that time.

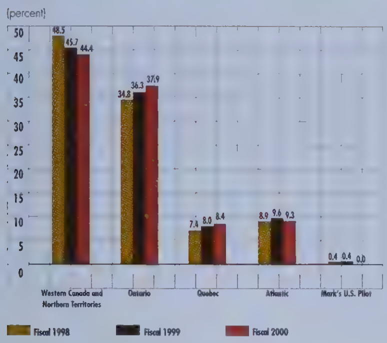
THREE-YEAR FRONT-LINE OPERATIONS BY DIVISION

Table 13

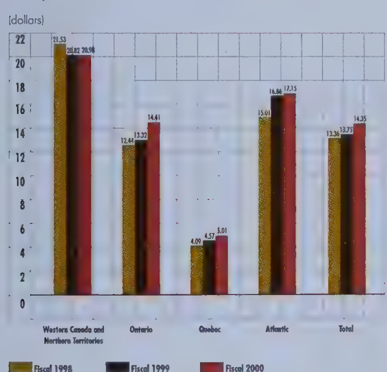
(dollar amounts in thousands, except sales per resident and sales per retail sq. ft.)	Mark's	Mark's U.S. Pilot	Work World*	DOCKERS® Stores	Total
Sales – total system**					
Fiscal 2000	$ 345,803	N/A	$ 89,201	$ 2,666	$ 437,670
Fiscal 1999	$ 328,937	$ 1,665	$ 86,866	N/A	$ 417,468
Fiscal 1998	$ 312,035	$ 1,675	$ 88,497	N/A	$ 402,207
Total systems sales per resident					
Fiscal 2000	$ 11.34	N/A	$ 2.92	0.09	$ 14.35
Fiscal 1999***	$ 10.88	N/A	$ 2.87	N/A	$ 13.75
Fiscal 1998***	$ 10.41	N/A	$ 2.95	N/A	$ 13.36
Sales – corporate stores**					
Fiscal 2000	$ 282,463	N/A	$ 29,418	$ 2,666	$ 314,547
Fiscal 1999	$ 267,136	$ 1,665	$ 14,600	N/A	$ 283,401
Fiscal 1998	$ 249,339	$ 1,675	$ 1,002	N/A	$ 252,016
Corporate store sales per retail sq. ft.****					
Fiscal 2000	$ 239	N/A	$ 217	N/A	$ 237
Fiscal 1999	$ 252	$ 108	N/A	N/A	$ 251
Fiscal 1998	$ 256	$ 125	N/A	N/A	$ 253
Sales – franchise stores					
Fiscal 2000	$ 63,340	N/A	$ 59,783	N/A	$ 123,123
Fiscal 1999	$ 61,801	N/A	$ 72,266	N/A	$ 134,067
Fiscal 1998	$ 62,696	N/A	$ 87,495	N/A	$ 150,191
Front-line contribution					
Fiscal 2000	12.2%	N/A	(5.1%)	(52.7%)	10.1%
Fiscal 1999	10.9%	(40.0%)	4.0%	N/A	10.3%
Fiscal 1998	11.5%	(54.6%)	6.3%	N/A	11.0%
Franchise royalties and other					
Fiscal 2000	$ 4,075	N/A	$ 2,565	N/A	$ 6,640
Fiscal 1999	$ 3,985	N/A	$ 3,031	N/A	$ 7,016
Fiscal 1998	$ 4,096	N/A	$ 3,508	N/A	$ 7,604
Net front-line contribution from operations					
Fiscal 2000	$ 38,585	N/A	$ 1,076	$ (1,404)	$ 38,257
Fiscal 1999	$ 33,208	$ (668)	$ 3,612	N/A	$ 36,152
Fiscal 1998	$ 32,724	$ (914)	$ 3,571	N/A	$ 35,381
Inventory turnover (times)*****					
Fiscal 2000	2.0	N/A	1.0	0.7	1.8
Fiscal 1999	1.9	1.0	1.1	N/A	1.8
Fiscal 1998	2.2	1.0	0.5	N/A	2.2
Number of stores at end of year Corporate/Franchise					
Fiscal 2000	127/29	0/0	45/102	5/0	177/131
Fiscal 1999	122/29	2/0	41/105	N/A	165/134
Fiscal 1998	114/31	1/0	3/139	N/A	118/170

N/A Not applicable.
* In fiscal 1999, the 31 franchise stores acquired including the 19 from Paul John Enterprises Ltd. appear as franchise stores until their respective purchase dates and as corporate stores thereafter.
** Excludes inter-group sales.
*** Prior years restated to suit fiscal 2000 revised Table 13 format.
**** Calculated on stores open and at the same store size for an entire season. The Company breaks the year down into two seasons: Spring – February though July; Fall – August through January.
***** Calculation based on the compilation of regional data plus inventory in the Company's corporate distribution centre.

Total System Sales Per Region
Graph 12



Total System Sales per Resident by Region
Graph 13



CONSOLIDATED BALANCE SHEETS

The Company's consolidated balance sheets show that the Company's total assets at January 29, 2000 are up $10.1 million or 7.6% over January 30, 1999. The main increases in asset accounts as at January 29, 2000 over January 30, 1999 are in accounts receivable, merchandise inventories, capital assets and goodwill. As Note 4 to the Consolidated Financial Statements shows, the increase in accounts receivable is the result of higher receivables from Mark's Division franchise stores and from business account sales.

In the case of the receivables from the Mark's Division franchises, half of the increase relates to dating arrangements granted by the Company on the opening receivables from the new franchise store opened in mid-November 1999 and half relates to collections received a few days after the January 29, 2000 year-end cut-off date. In the case of the receivables from business accounts sales, the 24.5% increase in the receivables relates directly to the 17.2% increase in sales in this business unit in fiscal 2000 over fiscal 1999.

Most of the $4.5 million or 5.8% increase in merchandise inventories as reflected in Table 14 is the result of $3.0 million more spring in-transit merchandise inventory in the Mark's Division than a year ago, $1.1 million of merchandise inventory for the five start-up DOCKERS® stores and $0.4 million of additional merchandise inventory in the Work World Division, as there were four more corporate stores at January 29, 2000 than a year ago. Table 15 shows that year-end merchandise inventory at cost per retail square foot is down 1.4% in the Mark's Division despite the extra $3.0 million of spring in-transit merchandise inventory as the division is flowing more spring goods earlier in spring 2000 than it did in spring 1999. Table 15 also shows that during fiscal 2000, average merchandise inventory per average retail square foot was 9.8% lower than in fiscal 1999, and turnover improved by 7.4% in the Mark's Division. In the Work World Division merchandise inventory turnover decreased by 12.4% in fiscal 2000 from fiscal 1999 as the merchandise inventory acquired with the purchase of 31 franchise stores (24 in the last four months of fiscal 1999) had to flow through the system. In this division, year-end merchandise inventory per retail square foot is down 5.5% from a year ago and average merchandise inventory per retail square foot during fiscal 2000 was down significantly from fiscal 1999.

On a consolidated basis, both year-end and average merchandise inventory at cost per retail square foot are lower in fiscal 2000 than in fiscal 1999.

With the third unseasonably mild fall/winter (August to January) season in succession, the Company has had some excess winter inventory at year end, in each of the last three fiscal years. As was the case at January 31, 1998 and January 30, 1999, the excess winter inventory at January 29, 2000 is in non-fashion sensitive winter products which through year-end markdown accruals has been properly valued with normal go-forward purchase markup and fall 2000 (fiscal 2001) purchases in those selected commodities will be reduced to account for these opening balances.

Consolidated Merchandise Inventories

Table 14

	As at January 31, **1998** ($000s)	As at January 30, **1999** ($000s)	As at January 29, **2000** ($000s)	Fiscal 2000 Increase/(Decrease) **Over Fiscal 1999** ($000s)	(%)
Mark's Division	58,397	62,773	66,499	3,726	5.9
Work World Division	1,016	13,455	13,847	392	2.9
DOCKERS® Stores Division	—	—	1,122	1,122	N/A
Mark's U.S. Division	695	754	—	(754)	(100.0)
	60,108	76,982	81,468	4,486	5.8

Merchandise Inventories Per Retail Square Foot

Table 15

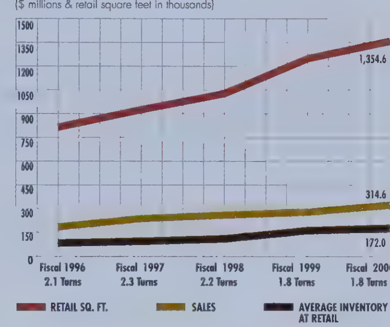
	Fiscal **1998**	Fiscal **1999**	Fiscal **2000**	Fiscal 2000 Increase/(Decrease) **Over Fiscal 1999** (%)
Mark's Division*				
Inventory at cost per retail sq. ft. at year end (includes warehouse inventory)**	$ 57.29	$ 56.45	$ 55.65	(1.4)
Average inventory at cost per avg. retail sq. ft. throughout the year (includes warehouse inventory)**	$ 61.25	$ 69.47	$ 62.65	(9.8)
Inventory turnover (times)	2.20	1.90	2.04	7.4
Weighted average retail sq. ft. throughout the year	968,501	1,059,144	1,159,050	9.4
Year-end retail sq. ft.	1,019,244	1,111,985	1,195,053	7.5
Work World Division				
Inventory at cost per retail sq. ft. at year end (includes warehouse inventory)**	$ 171.36	$ 102.54	$ 96.85	(5.5)
Average inventory at cost per avg. retail sq. ft throughout the year (includes warehouse inventory)**	N/A	$ 240.45	$ 116.44	(51.6)
Inventory turnover (times)	N/A	1.13	0.99	(12.4)
Weighted average retail sq. ft. throughout the year	N/A	47,879	131,754	100.0+
Year-end retail sq. ft.	5,929	131,210	142,979	9.0
DOCKERS® Stores Division				
Inventory at cost per retail sq. ft. at year end (includes warehouse inventory)	N/A	N/A	$ 67.88	N/A
Inventory turnover (times)	N/A	N/A	0.70	N/A
Year-end retail sq. ft.	N/A	N/A	16,529	N/A
Consolidated***				
Inventory at cost per retail sq. ft. at year end (includes warehouse inventory)**	$ 57.88	$ 61.27	$ 60.14	(1.8)
Average inventory at cost per avg. retail sq. ft. throughout the year (includes warehouse inventory)	N/A	$ 72.90	$ 68.43	(6.1)
Inventory turnover (times)	2.17	1.82	1.83	0.5
Weighted average retail sq. ft. throughout the year	N/A	1,116,934	1,296,643	16.1
Year-end retail sq. ft.	1,038,523	1,256,477	1,354,561	7.8

N/A Not applicable or not available
* Excludes Mark's U.S. pilot stores.
** Warehouse inventory held by the Mark's and Work World Divisions contains some amounts intended to go to franchise stores.
*** Includes Mark's U.S. pilot stores in fiscal 1998 and fiscal 1999.

As the Company has stated in previous annual reports, while it will continue to monitor inventory turnover and continue to exert extra effort to improve in this area, it will do so carefully because today's consumers, subject to increasing time pressures, expect that stores, particularly destination stores (Mark's Division concept) will always be "in stock" for them whenever they find the time to shop.

The $2.4 million or 10.0% increase in the Company's capital assets as at January 29, 2000 compared to January 30, 1999 is the result of the Company's continuing "On Concept" store program in its Mark's Division, the continuation of the "Corporate Store Strategy" in the Work World Division, the opening of five stores for the DOCKERS® Stores Division test and the continued investment in systems for all divisions. See Table 16.

Consolidated Five-Year Inventory Turns
Graph 14



CAPITAL ASSETS

Table 16

	Fiscal **1998** ($000s)	Fiscal **1999** ($000s)	Fiscal **2000** ($000s)
Opening capital assets	14,608	20,072	23,531
Mark's Division store "On Concept" and other additions			
Cash	725	2,371	127
Capital leases	4,089	3,790	4,464
Work World Division "Corporate Store Strategy" and other additions			
Cash	149	812	277
Capital leases	—	429	645
DOCKERS® Stores Division "Corporate Stores"			
Cash	—	—	1,511
Capital Leases	—	—	707
System capital lease additions	1,065	2,750	3,423
Acquisition of computer equipment under capital lease on termination of outsourcing agreement	5,281	—	—
Paul John acquisition – 19 Work World stores	—	781	—
Franchise purchases – Mark's and Work World Division	69	510	3
	25,986	31,515	34,688
Provision for closure of Mark's U.S. pilot stores	—	(797)	—
Disposition of capital assets	217	160	73
	26,203	30,878	34,761
Depreciation net of sale leaseback transactions	(6,131)	(7,347)	(8,868)
Closing capital assets	20,072	23,531	25,893

The $2.4 million or 27.1% increase in goodwill at January 29, 2000 compared to January 30, 1999 is the result of the $0.8 million purchase price adjustment and the estimate of $2.0 million of future earnout purchase price adjustment with respect to the Paul John Enterprises acquisition made effective November 1, 1998, offset by $0.4 million of goodwill amortization during fiscal 2000. See Notes 1G, 2 and 8 to the Consolidated Financial Statements.

The Company's year-end cash as at January 29, 2000 compared to January 30, 1999 decreased by $0.9 million. See Management's Discussion and Analysis to the Consolidated Statements of Cash Flows.

On the liability side of the balance sheet, most of the $3.8 million or 4.8% increase in total liabilities is a result of the $3.2 million or 10.8% increase in long-term debt (current and long-term portion combined) as summarized in Table 17.

LONG-TERM DEBT (CURRENT & LONG-TERM)

Table 17

	Fiscal **1998** ($000s)	Fiscal **1999** ($000s)	Fiscal **2000** ($000s)
Opening long-term debt (current and long-term)	14,238	17,848	30,044
Store financing (mostly capital leases)			
Mark's Division	4,077	3,790	4,464
Work World Division	—	429	645
DOCKERS® Stores Division	—	—	707
Landlord leasehold loans	12	259	—
Syndicated bank term loan	—	5,000	—
Leaseholds, fixtures and equipment loan for DOCKERS® test	—	—	1,000
Paul John acquisition (syndicated bank term loan)			
Purchase price portion	—	2,250	737
Working capital portion	—	2,750	(737)
Paul John acquisition – estimated future earnout	—	—	2,000
System capital lease financing	1,065	2,750	3,423
Capital lease debt assumed on computer equipment on termination of outsourcing agreement	5,281	—	—
	24,673	35,076	42,283
Principal repayments and capital lease payments	(3,825)	(5,032)	(9,003)
Conversion of subordinated debt to equity	(3,000)	—	—
Closing long-term debt (current and long-term)	17,848	30,044	33,280
Current portion	4,434	7,992	9,328
Long-term portion	13,414	22,052	23,952
	17,848	30,044	33,280

Table 17 shows that in fiscal 2000, the $9.2 million of new capital lease financing is essentially offset by the $9.0 million of capital lease and long-term debt repayments and that the remaining $3.0 million of the increase relates to the $1.0 million non-interest bearing leasehold fixtures and equipment loan for the DOCKERS® Stores Division start-up and the $2.0 million estimated future earnout on the Paul John acquisition.

In addition, deferred gains increased by $1.2 million in fiscal 2000 as the Company set up $1.0 million in new deferred landlord inducements, which are being amortized over the term of store leases as outlined in Note 7 to the Consolidated Financial Statements.

During fiscal 2000, the Company's $6.4 million in net earnings was 1.7 times the increase in total debt which has enabled the Company to slow the growth rate of its 12-month moving average funded debt-to-equity ratio which was 0.94-to-1 at January 29, 2000 (0.92-to-1 at January 30, 1999; 0.71-to-1 January 31, 1998) and remains in line with the Company's goal of not exceeding 1-to-1. See Graph 16.

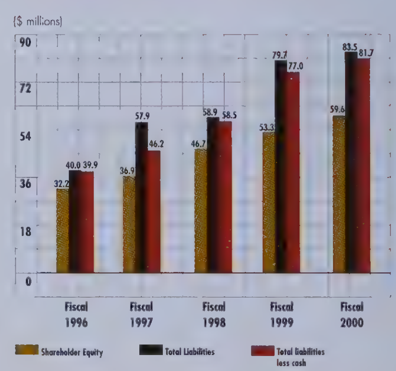
Should the Company achieve its optimistic forecast in fiscal 2000, its 12-month moving average funded debt-to-equity ratio should come in at 1.08-to-1. See Financial Goals.

The Company's working capital position remains strong with a current ratio at January 29, 2000 of 1.77-to-1 compared to 1.70-to-1 at January 30, 1999 and 1.71-to-1 at January 31, 1998 and meets the Company's goal of not being less than 1.50-to-1. See Financial Goals.

The total liabilities-to-equity ratio at January 29, 2000 is 1.40-to-1 compared to 1.49-to-1 at January 30, 1999 and 1.26-to-1 at January 31, 1998 and also meets the Company's goal of not exceeding 1.75-to-1. See Financial Goals.

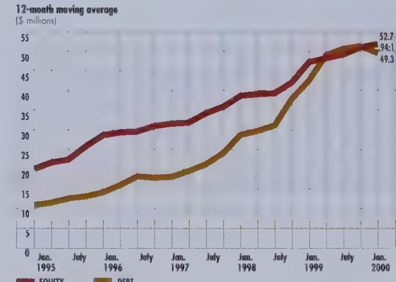
Five-Year Capital Structure

Graph 15



Five-Year Funded Debt-to-Equity to January 29, 2000

Graph 16



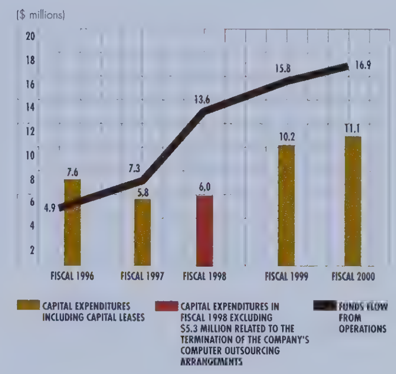
CONSOLIDATED STATEMENTS OF CASH FLOWS

During the year ended January 29, 2000 the Company generated $16.9 million in funds flow from operations compared to $15.8 million in the prior year, representing an increase of 6.7% over the prior year. Excluding the prior year's non-cash provision for the closure of the U.S. pilot stores, there is a $4.0 million increase in funds flow from operations, or 31.3%, from fiscal 1999 to fiscal 2000. The changes in non-cash working capital, net of the effect of the acquisition of subsidiaries and the purchase of franchise stores, improved from an $8.9 million deployment of funds in fiscal 1999 to a lower $6.6 million deployment of funds in fiscal 2000, an improvement of 26.2%. This resulted in a net inflow from operations of $10.3 million, an increase of $3.4 million or 49.3% over the prior year's net inflow of $6.9 million. The Company then sourced $13.3 million through long-term debt ($3.0 million of long-term debt of which $2.0 million is non-cash), capital lease financing ($9.3 million), and deferred landlord inducements ($1.0 million) to fund the majority of the $11.1 million of expenditures on capital assets (mostly capital leases), $2.7 million ($0.7 million purchase price adjustment and $2.0 million non-cash estimated future earnout) on the Paul John acquisition and $0.1 million for the purchase of a franchise store. The $0.6 million shortfall was funded from cash flow from operations. The remaining $9.7 million ($10.3 million less $0.6 million used above) net inflow from operations and the $0.1 million generated from the issuance of share capital were used to make $9.0 million of capital lease and long-term debt repayments, to invest $1.4 million in other assets, to buy back $0.2 million of share capital for cancellation and to cover the $0.1 million disposition of capital assets. The net result is a decrease in cash and cash equivalents of $0.9 million in fiscal 2000.

The above compares to an increase in cash and cash equivalents of $2.4 million in fiscal 1999 when the Company obtained $17.2 million in long-term debt and capital lease financing to fund the $2.2 million initial purchase price for the Paul John acquisition (19 franchise stores), $10.2 million in capital expenditures (including capital leases) and $4.3 million on the purchase of 14 other franchise stores. The resulting $0.5 million of cash generated, plus the $6.9 million generated from operations after funding changes in non-cash working capital and the $0.8 million from the issuance of capital stock exceeded the $5.0 million capital leases and long-term debt repayments, the $0.7 million investment in other assets and the $0.1 million on the disposition of capital assets.

Five-Year Cash Flow From Operations and Capital Expenditures Including Capital Leases

Graph 17



RISK AND UNCERTAINTIES

This table shows the external and internal risk factors that affect the Company's business, and ultimately its profitability.

RISK FACTORS

External	Internal
Consumer environment	Customer service
Competition	Sales blend
Seasonality	Marketing strategies
Weather	Store openings and closings
Merchandise sourcing	Expense rates in payroll, advertising, occupancy and systems
Foreign exchange rates	Inventory levels
Interest rates	Capital expenditure investments in stores and systems
Unsolicited offer to purchase the Company's outstanding Common Shares	Number and strength of franchise stores
Year 2000 compliance by the providers of merchandise and services to the Company	"Corporate Store Strategy" in the Work World Division
Small cap company in current Canadian capital markets	Liabilities-to-equity levels
Share trading information	The introduction of new divisions under new store banners, i.e., DOCKERS® Stores Division
	Foreign exchange exposure
	Interest rate exposure
	Year 2000 compliance for the Company's computer systems

Management's responsibility is to mitigate **external risk factors** to the extent possible, and to achieve an appropriate balance among the **internal risk factors**, in order to optimize profits.

The **consumer environment** in Canada as reflected by the growth in total retail sales as reported by Statistics Canada was healthy in 1999 with an annual growth rate of 5.8% over 1998 compared to a growth rate of 4.3% in 1998 over 1997 and 7.2% in 1997 over 1996, Canada's strongest year of retail sales growth since 1988. In the month of January 2000, total retail sales grew by 5.1% over January 1999. This compares to a growth rate in January 1999 of 2.3% over January 1998.

However, in the market segment in which the Company operates, Men's Clothing Stores, sales in 1999 were down 2.3% from 1998 levels and 1998 was down 0.2% on 1997 levels. In the month of January 2000, Men's Clothing Stores' sales declined by 1.0% from the month of January 1999 on top of a 9.9% decline in the month of January 1999 from the month of January 1998 level. In fact, 1997 was the last year that Men's Clothing Stores' sales grew and in that year, they registered only a modest growth of 3.0% over 1996. When we turn to the data supplied by Trendex North America, that estimates sales in the total men's wear market, including department store sales of men's wear, total men's wear sales grew by 2.9% in 1999 over 1998 and by 5.4% in 1998 over 1997. Thus, men's wear sales in total are growing, albeit at a slower rate than total retail sales, while sales in the Men's Clothing Store segment are declining.

Thus, there is no assurance that consumers will continue to purchase apparel at the rates they have historically. In fact, in recent years they have shown a marked preference for bigger-ticket items such as furniture, appliances, autos and electronics. The Company is confident that it has mitigated this risk in its Mark's Division by having developed a stable yet evolving product offering, "On Concept" stores, sound marketing programs and is currently growing Business-to-Business sales and developing e-Commerce sales. In addition, the Company has launched its "Corporate Store Strategy" in its Work World Division and opened five DOCKERS® test stores in the fall of 1999 in order to develop additional sales channels so that it can continue to grow its sales and increase its market share of the Men's Clothing Store market, and, resume growing its market share of the total men's wear market.

Competition in the men's wear apparel sector remains fierce as department stores, discount department stores, other discount stores, unisex stores, sporting goods stores and men's specialty stores battle for market share within this market sector. Many of these stores are large U.S.-based retailers. Some mergers and subsequent store consolidations are also occurring within the sector. Management feels that it has mitigated this risk by keeping the Company well positioned in this market sector from a selection and pricing perspective. The Company's market share of the total men's wear market in Canada stayed even in fiscal 2000 despite the one-time effect of the Eaton's liquidation and despite the fact that some large department stores have refocused their initiatives in this area. Clearly, the Company does not believe that it is isolated from the effects of this competition and it intends to continue to be rigorous in maintaining good relationships with its customers, protecting its business, generating new customers and testing the introduction of new divisions with new store banners.

The Company's business remains very **seasonal** with the fourth quarter of the fiscal year continuing to produce between 37% and 41% of annual sales and most of the annual profits, resulting from the general increase in consumer spending in that period. The sales reporting and merchandise planning modules of the Company's information system assist the Company in mitigating the risk and uncertainties associated with seasonal programs, but cannot remove them completely, as inventory orders, especially for a significant portion of offshore commodities, must be placed well ahead of the season.

Approximately one-third of the Company's Mark's Division (the Company's largest division) business is in seasonal commodities, that is, commodities specifically related to winter or summer weather. Thus, **weather dependency** cannot be totally disassociated from the Company's business. In fiscal 2000, the Mark's Division began to shift some of its winter business to summer and all-season businesses, and that process will continue over the next several years. As the Work World Division matures, it will also follow this pattern. The DOCKERS® Stores Division is not a material part of the Company's sales at this time and because of the nature of its assortments it is less weather dependent.

In the area of **merchandise sourcing**, the Company has several sources of supply for most of its key commodities in order to be able to provide a continuous supply of quality products to its customers. While short-term interruptions could occur, the Company continues to work with both its domestic and foreign sources, to ensure that they have the ability and commitment to supply the Company so that customers' needs are met.

As part of its offshore sourcing practice, the Company advises its importers not to provide it with any goods produced in factories that use child labour or unacceptably paid or treated labour. For direct imports, the Company visits and inspects each factory it deals with to determine if the factory employs child or unacceptably paid or treated labour. The Company uses a comprehensive checklist during each inspection to ensure compliance with its ethical sourcing policies. Nevertheless, the Company cannot guarantee that such activities will not occur in the factories of the offshore suppliers with which it deals.

The Company is also a member of the Retail Council of Canada and has joined as a participant on the Retail Council's Executive Trade Committee to develop a voluntary code of ethical sourcing. In addition, the Company's Corporate Code of Conduct prohibits any employee from accepting gifts, favours or trips other than a nominal amount from anyone with whom they deal on Company business.

The Company's **foreign currency** risk is generally limited to currency fluctuations between the Canadian and U.S. dollars, as most of the Company's offshore suppliers conduct business in U.S. dollars. The Company has no U.S. dollar revenues to use for the purchase of offshore commodities in U.S. dollars. The Company's practice is to enter into forward contracts for over 50% of its anticipated U.S. offshore purchases to help manage this risk. As at January 29, 2000, the Company had foreign exchange collar arrangements in place for committed and anticipated foreign purchases during the Company's next fiscal year totalling $9,748,000 U.S. Under the terms of the collars, the Company bears the exchange risk or benefit on foreign purchases when the Canadian dollar trades against the U.S. dollar within the ranges and for the time periods listed in Note 13 to the Consolidated Financial Statements. At January 29, 2000, there were $133,137 of unrealized losses on the foreign exchange collars based on the January 29, 2000 exchange rate of $1.4423. See Notes lM and 13 to the Consolidated Financial Statements.

In addition, at January 29, 2000, the Company had foreign exchange fixed contract arrangements in place for committed and anticipated foreign merchandise purchases during the Company's next fiscal year totalling $25,021,000 U.S. Under the terms of the fixed contract arrangements, the Company has fixed its exchange risk on foreign purchases at an average Canadian dollar to the U.S. dollar rate of $1.4669 ($36,703,321 Cdn.). At January 29, 2000, the unrealized loss on these contracts was $615,533 based on a January 29, 2000 exchange rate of $1.4423. See Notes lM and 13 to the Consolidated Financial Statements.

The Company continues to purchase approximately two-thirds of its merchandise for resale from Canadian manufacturers in Canadian dollars.

The Company's **interest rate** risk is a result of its short-term floating rate debt requirements during part of every fiscal year. Interest rate swap contracts are used to hedge this interest rate risk on over 50% of the anticipated short-term floating rate debt requirements for the coming year. At January 29, 2000, the Company had fixed its borrowing rate on $25.0 million of its anticipated short-term borrowing requirements at a 7.135% all-in rate. See Notes 1M and 13 to the Consolidated Financial Statements.

Between January 29, 2000 and March 10, 2000, the Company fixed its borrowing rate on an additional $8.0 million of its short-term borrowing requirements at a 6.78% all in rate. See Note 20 to the Consolidated Financial Statements.

Since the Company is a public company without a management control-share block, **unsolicited offers to purchase the Company's outstanding Common Shares** could appear from time to time, as happened during fiscal 1998. This possibility may have a higher probability currently, given that institutional investors seem to be **totally disinterested in investing in small cap stocks**, unless they are in the high-tech industry, and given the earnings multiple at which the Company's shares are currently trading. See trading multiples at the end of this section. While management has processes in place to have the Company's Board of Directors and non-operations management deal with such matters should they arise, there is a risk that such activities could distract operations management to the point of affecting performance and create expenses which, in combination, could cause the Company to fall short of its forecast range. See Forecast.

The **internal risk factors** are often tied together, and thus action taken to stimulate one factor often results in a negative effect on other factors:

- New store openings may increase sales, but, in the first year or two of operations of a new store, the increase in payroll costs, advertising costs, occupancy costs and interest costs may cause that store to contribute an operating loss, until it becomes a mature store from a sales per square foot perspective.
- Additional advertising campaigns may increase sales, but not sufficiently in the short term to cover the cost of the additional advertising and increase short-term profitability.
- Staff reductions can lower payroll costs, but may cause a loss of sales due to lower sales per customer and customer dissatisfaction with the level of sales service and stock outages in the stores.

Management believes that it is achieving an appropriate balance among the internal risk factors in order to optimize profits.

The Mark's Division franchise operations consisted of 29 franchise stores at January 29, 2000, 79.3% of which meet Company-set capitalization standards. This operation is very stable and is expected to shrink a little over time with the occasional franchisee selling his or her store to the Corporation.

With the "Corporate Store Strategy" on new store openings (nine in fiscal 1999 and five in fiscal 2000) and the purchase of 31 franchise stores in fiscal 1999 and a further store in fiscal 2000, the **Work World franchise operation** was reduced to 102 franchise stores at January 29, 2000. As at January 29, 2000, 38.2% of the remaining Work World franchises meet Company-set capitalization standards that were developed after the December 1, 1996 acquisition date of Work World, as there were no capitalization standards under the previous administration. Every year, the Work World Division introduces at least half a dozen or so new merchandise programs and continually seeks to improve upon existing assortments in order to positively impact a significant part of the merchandise offering and hopefully, store sales in both the Work World Division's franchise and corporate stores.

In addition, over the last several years, the Company has put the necessary credit controls in place to control the level of merchandise shipments and other cost risk services provided to the Work World franchisees. Nevertheless, given the capitalization level of many of these stores, there is a risk that more of the stores could close, causing a loss of royalty and other revenues and bad debt write-offs for the Company.

In its purchased franchise stores and in its new corporate stores, the Work World Division expects to generate the appropriate sales per square foot, gross margin rate, and expense rate to produce a front-line contribution higher than the royalty rates earned from franchisees on franchise sales, although this has not yet occurred and remains a risk factor at this time.

During the second half of 1999, the Company launched its **DOCKERS® Stores Division** with the opening of five test stores. The business formula for the DOCKERS® Stores Division requires that over time, sales per square foot track to mall averages, a 40% gross margin rate be achieved and that sales be made up of an equal blend of men's and women's products and an equal blend of tops and bottoms. See "Focus on Customers – DOCKERS® Stores Division" for more details. While the Company is confident that this business formula for its new DOCKERS® Stores Division will be successful, there are near-term costs to launching a new division. As well, there is always a risk that a new division will not blossom. The Company believes that it has mitigated the risk by basing the store banner on an established, high-image, superior quality, internationally recognized brand, by offering customers additional DOCKERS® assortments not carried in other stores, by selecting quality store locations and by applying the same principles used in its other divisions of providing excellent customer service, competent and caring staff and a commitment to continuous improvement.

In 1997 the Company commenced its preparation for the **Year 2000**. Due to the Company's significant reliance on technology for its operation, senior management was assigned to the Year 2000 Project to effect the modification and testing of internal systems hardware and proprietary software, to reduce risks arising from business partners and to develop a business continuity plan.

At the end of November 1999, the Company had completed modifications to its internal systems and software, completed modifications to processes involving business partners and implemented a comprehensive business continuity plan.

Upon the change-over from 1999 to January 1, 2000, and up until March 10, 2000, the Company had not experienced any interruption to its critical systems, had not encountered any problems with its business partners and did not have to activate its business continuity plan. The Company continues to monitor its systems, the viability of its business partners and its preparedness to address future issues, if any, that may impact the Company through subsequent months.

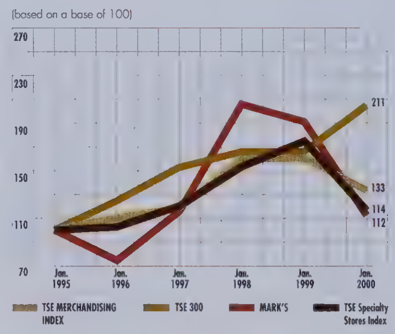
Over the duration of the Year 2000 project, the Company spent $725,000 with contracted partners in identifying and modifying its software, working with business partners and implementing a business continuity plan. In addition, $343,000 of the Company's $7,238,000 of systems capital expenditures made over fiscal 1998, 1999 and 2000, were Year 2000-related. The expenditures with contracted partners were expensed as incurred and the capital expenditures on capital assets are being written off over the estimated useful life of the capital assets, usually five years. See Note 1F to the Consolidated Financial Statements.

During the year ended January 29, 2000, the Company's **shares traded at multiples** ranging from 6.5 to 15.7 times earnings per share. This compares to a 16.2 to 211.9 times price-earnings ratio for the TSE Merchandising Index and a 12.9 to 20.2 times price-earnings rate for the TSE Specialty Stores Index during the Company's fiscal 2000 year. Also during fiscal 2000, the share price ranged from 70.1% to 168.2% of the Company's January 29, 2000 book value.

Graph 18 compares the yearly percentage changes over the last five years in the cumulative shareholder return on the Common Shares of the Company (assuming a $100 investment was made on January 29, 1995) with the cumulative total return of the TSE 300 Stock Index, the TSE Merchandising Index and the TSE Specialty Stores Index. No dividends have been paid by the Company; therefore it was not necessary to build a dividend reinvestment feature into the graph.

Five-Year Share Performance

Graph 18



Management's Responsibility for Financial Statements

The accompanying Consolidated Financial Statements of the Company and all information in the annual report are the responsibility of management. Financial information contained elsewhere in the annual report is consistent with that shown in the financial statements. The Consolidated Financial Statements were prepared by management in accordance with accounting principles generally accepted in Canada, applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Company, are described in Note 1 to the Consolidated Financial Statements.

Management is responsible for the integrity and objectivity of the Consolidated Financial Statements. Estimates are necessary in the preparation of these statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board, composed solely of Directors who are not employees of the Company, is appointed annually by the Board of Directors. The Audit Committee of the Board meets regularly with financial management of the Company and with the shareholders' independent auditors to discuss internal controls, audit matters, including audit scope and auditor remuneration, and financial reporting issues and reports to the Board thereon. The independent shareholders' auditors have unrestricted access to the Audit Committee. The Audit Committee also reviews the annual Consolidated Financial Statements and the Management's Discussion and Analysis, reports to the Board thereon and makes recommendations with respect to acceptance for inclusion thereof in the annual report. The Audit Committee also makes recommendations to the Board with respect to the appointment and remuneration of the Company's auditors.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.

Michael Lambert, Chief Financial Officer
Calgary, Alberta, March 10, 2000

Auditors' Report

To the Shareholders of
Mark's Work Wearhouse Ltd.

We have audited the Consolidated Balance Sheets of Mark's Work Wearhouse Ltd. as at January 31, 1998, January 30, 1999 and January 29, 2000, and the Consolidated Statements of Earnings and Retained Earnings and Cash Flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at January 31, 1998, January 30, 1999 and January 29, 2000 and the results of its operations and its cash flows for each of the years then ended, in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, Chartered Accountants
Calgary, Alberta, March 10, 2000

Consolidated Balance Sheets

(thousands)	As at January 31, **1998**	As at January 30, **1999**	As at January 29, **2000**
Assets			
Current assets			
Cash and cash equivalents (Note 1D)	$ 349	$ 2,710	$ 1,774
Accounts receivable (Note 4)	12,644	13,364	15,010
Merchandise inventories	60,108	76,982	81,468
Other current assets (Note 5)	2,709	3,304	3,223
	75,810	96,360	101,475
Other assets (Note 6)	449	975	1,614
Capital assets (Note 7)	20,072	23,531	25,893
Future income taxes (Notes 1N & 18)	2,091	3,413	3,026
Goodwill (Note 8)	7,195	8,713	11,076
	$ 105,617	$ 132,992	$ 143,084
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 33,280	$ 43,557	$ 45,730
Income taxes payable	6,683	4,976	2,238
Current portion of long-term debt (Note 10)	4,434	7,992	9,328
	44,397	56,525	57,296
Long-term debt (Note 10)	13,414	22,052	23,952
Deferred gains (Note 7)	1,060	1,109	2,265
	58,871	79,686	83,513
Shareholders' Equity			
Capital stock (Note 12)	31,888	32,696	32,715
Retained earnings	14,858	20,610	26,856
	46,746	53,306	59,571
	$ 105,617	$ 132,992	$ 143,084

Approved by the Board

Michael Fox

Michael Fox, Director

Garth Mitchell

Garth Mitchell, Director

Consolidated Statements of Earnings and Retained Earnings

(thousands except per Common Share amounts)	53 weeks ended January 31, **1998**	52 weeks ended January 30, **1999**	52 weeks ended January 29, **2000**
Corporate and franchise sales (Note 14)	$ 402,207	$ 417,468	$ 437,670
Corporate operations			
Front-line operations (Note 1B)			
Sales	$ 252,016	$ 283,401	$ 314,547
Cost of sales	149,923	169,163	186,723
Gross margin	102,093	114,238	127,824
Front-line expenses			
Personnel, advertising and other	47,074	51,869	57,272
Occupancy	21,862	25,868	31,094
Depreciation and amortization	4,724	5,350	6,231
Interest – short term	656	2,015	1,610
	74,316	85,102	96,207
Front-line contribution	27,777	29,136	31,617
Franchise royalties and other (Note 15)	7,604	7,016	6,640
Net front-line contribution before back-line expenses	35,381	36,152	38,257
Back-line operations (Note 1B)			
Back-line expenses			
Personnel, administration and other	14,880	15,124	16,590
Occupancy	978	998	1,015
Depreciation and amortization	2,103	2,711	3,372
Software development and maintenance costs	815	906	1,201
Computer services	946	571	687
Interest – long term	1,676	1,350	2,407
Franchise bad debt provisions	460	219	300
Other costs (Note 17)	851	—	—
	22,709	21,879	25,572
Earnings before provision for closure of U.S. pilot stores, income taxes and goodwill amortization	12,672	14,273	12,685
Provision for closure of U.S. pilot stores (Note 16)	—	2,961	—
Earnings before income taxes and goodwill amortization	12,672	11,312	12,685
Income Taxes (Notes 1N and 18)			
Current expense	6,268	6,566	5,536
Future expense (benefit)	(415)	(1,322)	387
	5,853	5,244	5,923
Net earnings before goodwill amortization	6,819	6,068	6,762
Goodwill amortization	268	316	375
Net earnings	6,551	5,752	6,387
Retained earnings at beginning of year	8,307	14,858	20,610
Purchase of capital stock for cancellation (Note 12)	—	—	(141)
Retained earnings at end of year	$ 14,858	$ 20,610	$ 26,856
Earnings per Common Share			
Before goodwill amortization	25¢	22¢	24¢
Basic	24¢	21¢	23¢
Fully diluted	23¢	20¢	22¢

Consolidated Statements of Cash Flows

(thousands)	53 weeks ended January 31, **1998**	52 weeks ended January 30, **1999**	52 weeks ended January 29, **2000**
Cash and cash equivalents generated (deployed)			
Operations			
Net earnings	$ 6,551	$ 5,752	$ 6,387
Non-cash items			
Provision for closure of U.S. pilot stores (Note 16)	—	2,961	—
Depreciation and amortization	7,095	8,377	9,978
Loss on disposition of capital assets	378	47	124
Future income taxes (benefits) (Note 1N)	(415)	(1,322)	387
Funds provided by operations	13,609	15,815	16,876
Changes in non-cash working capital (net of effect of acquisition of subsidiaries and purchase of franchise stores)			
Accounts receivable	(356)	(605)	(1,646)
Merchandise inventories	(15,654)	(6,755)	(4,439)
Other current assets	(404)	(614)	73
Accounts payable and accrued liabilities	(3,401)	771	2,173
Income taxes payable	205	(1,707)	(2,738)
	(19,610)	(8,910)	(6,577)
	(6,001)	6,905	10,299
Investing			
Acquisitions of subsidiaries net of cash acquired (Note 2)	—	(2,196)	(737)
Purchases of franchise stores (Note 3)	(507)	(4,320)	(50)
Purchases of capital assets	(874)	(3,183)	(1,915)
Other assets	(287)	(720)	(1,367)
Disposition of capital assets	(217)	(160)	(73)
	(1,885)	(10,579)	(4,142)
Financing			
Proceeds of long-term debt	—	10,259	1,000
Retirement of long-term debt	(1,413)	(1,417)	(3,424)
Repayment of capital lease liabilities	(2,412)	(3,615)	(5,579)
Deferred landlord inducements	—	—	1,032
Share capital purchased for cancellation (Note 12)	—	—	(233)
Issuance of share capital for cash (Note 12)	311	808	111
	(3,514)	6,035	(7,093)
Net cash and cash equivalents generated (deployed)	(11,400)	2,361	(936)
Cash and cash equivalents at beginning of year (Note 1D)	11,749	349	2,710
Cash and cash equivalents at end of year (Note 1D)	$ 349	$ 2,710	$ 1,774

Supplementary Schedules
to Consolidated Statements of Cash Flows

(thousands)	53 weeks ended January 31, **1998**	52 weeks ended January 30, **1999**	52 weeks ended January 29, **2000**
Schedule of non-cash investing and financing activities:			
Capital assets acquired by means of capital leases	$ (10,435)	$ (6,969)	$ (9,239)
Capital lease funding to acquire capital assets	$ 10,435	$ 6,969	$ 9,239
Acquisition of Paul John Enterprises (Note 2)	$ —	$ —	$ (2,000)
Estimated long-term debt on future earnout of Paul John Enterprises acquisition (Note 2)	$ —	$ —	$ 2,000
Retirement of long-term debt on conversion to equity	$ (3,000)	$ —	$ —
Issuance of share capital on conversion of long-term debt	$ 3,000	$ —	$ —
Supplemental disclosures of cash flow information:			
Cash paid for			
Short-term interest	$ 656	$ 1,982	$ 1,645
Long-term interest	$ 1,874	$ 1,251	$ 2,435
Income taxes	$ 6,063	$ 8,273	$ 8,274

January 29, 2000

(dollar amounts in tables in thousands except financial instruments tables on foreign currencies, earnings per Common Share and exercise price of options to purchase Common Shares)

1. SIGNIFICANT ACCOUNTING POLICIES

The Company operates Mark's Work Wearhouse, (Mark's, called L'Équipeur in Quebec), Work World and DOCKERS® corporate stores and is involved in the operations of franchise-owned Mark's and Work World stores, all operating in the retail clothing and footwear industry within Canada. Through a branch operation in fiscal January 1998 and January 1999, the Company also operated two Mark's pilot stores in the United States. The Mark's U.S. pilot stores were closed in fiscal January 2000. See Note 16. These financial statements are prepared by management in accordance with accounting principles generally accepted in Canada.

A. Fiscal Year

The fiscal year of the Company consists of a 52- or 53-week period ending on the last Saturday in January each year. The fiscal year for the Consolidated Financial Statements presented is the 52-week period ended January 29, 2000 and comparably the 52-week period ended January 30, 1999, and the 53-week period ended January 31, 1998.

B. Basis of Presentation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

Front-line operations represent those activities where the Company's people come face-to-face with the customers and back-line operations represent those activities that support the effective performance of front-line activities.

C. Franchise Operations

Initial franchise fees are recorded as income when the store has been opened whether the balance has been received or is receivable. Deposits received on initial franchise fees for stores not yet opened are included in current liabilities on the balance sheet. Royalties, based on sales by the franchisees, are recorded as income as they are earned. Costs are expensed as incurred as part of either front-line or back-line expenses.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments.

E. Merchandise Inventories

Merchandise inventories are accounted for by the retail method and are carried at the lower of estimated cost and anticipated selling price, less an expected average gross margin.

F. Capital Assets

Depreciation is designed to amortize the cost of capital assets over their estimated useful lives. Capital assets are amortized at the following annual rates:

• Building	On a straight-line basis at 7% per year
• Leasehold improvements	On a straight-line basis over the term of the lease
• Furniture, fixtures and equipment	On a straight-line basis at 20% per year
• Fixtures, equipment and computer equipment and operating software capital leases	On a straight-line basis over the term of the lease

G. Goodwill

Goodwill is the excess of the cost of investments in subsidiaries or purchased franchise stores over the fair value of the net tangible assets acquired. Goodwill is being amortized on a straight-line basis determined for each acquisition or purchased franchise store over the estimated life of the benefit. The Company uses the cost recovery method to assess the value of goodwill. The value of goodwill is regularly evaluated by reviewing the financial returns of the related business or purchased franchise stores, taking into account the risk associated with the investment. Any permanent impairment in the value of goodwill is written off against earnings. The weighted average remaining amortization period is 28.7 years (January 30, 1999: 30.2 years; January 31, 1998: 31.7 years). No goodwill is set up on the reacquisition of troubled franchises. See Notes 2, 3 and 8.

H. Translation of Foreign Currencies

Inventory purchases in foreign currencies are translated at the rate of exchange in effect on the dates the purchases occur and payable balances at the balance sheet date, in both cases after taking into account the effect of any related foreign exchange hedging contracts.

In fiscal 1998 and 1999, the Mark's U.S. pilot stores were considered integrated and thus were translated using the temporal method, whereby monetary items were translated at the rate of exchange in effect at the balance

sheet dates, non-monetary items were translated at historical exchange rates, and revenue and expense items except for depreciation and amortization were translated at the rate of exchange in effect on the dates they occurred.

I. Store Opening Expenses

Because of the significant number of store openings as the Company converts to larger "On Concept" stores in its Mark's Division, converts to corporate stores in its Work World Division and opens new corporate stores in its DOCKERS® Stores Division, store opening expenses are being capitalized and amortized over a three-year period commencing in the quarter following the store opening. See Notes 5 and 6.

J. Software Development and Maintenance Costs

Costs incurred, which are primarily programmers' salaries and contracted amounts to develop or maintain software for the Company's proprietary management information systems including year 2000 modifications, are expensed as incurred.

K. Earnings Per Common Share

Earnings per Common Share before goodwill amortization and basic earnings per Common Share are calculated using the weighted average number of Common Shares outstanding during the year. See Note 12. Fully diluted earnings per Common Share are calculated after giving effect to the exercise of outstanding options.

L. Stock-Based Compensation Plan

The Company's stock-based compensation plans are described in Note 12. No compensation expenses are recognized for this plan when stock options are issued to employees or directors. Any consideration paid by employees and directors on exercise of stock options is credited to share capital.

M. Financial Instruments

Interest rate swap contracts are used to hedge interest rate risk on over 50% of the Company's anticipated short-term floating rate debt requirements during its next fiscal year. The interest rate differentials to be paid or received under such contracts are recognized as adjustments to interest expenses in that fiscal year.

Foreign currency risks related to the purchase of merchandise for resale are hedged for over 50% of the Company's anticipated purchases. Any costs associated with these purchases are included in the Canadian dollar cost of these products.

The estimated fair values of accounts receivable and accounts payable approximate book value. See Note 10 for the estimated fair value of fixed rate and non-interest bearing debt and Note 13 for the estimated fair value of financial instruments.

N. Future Income Taxes

The Company adopted the asset/liability method of accounting for future income taxes in fiscal 1999 whereby future income tax liabilities are determined by applying the tax rate at the end of the fiscal year to temporary differences between the accounting and tax bases of the assets and liabilities of the Company. Formerly, generally accepted accounting principles required that the deferred income tax method be used. The future income tax asset results from differences between the tax base and carrying values of capital and other assets and differences in the accounting and tax treatment of certain cost. At January 29, 2000, the tax base of capital and other assets exceeded the carrying value of these assets by $6,815,000 (January 30, 1999 $7,775,000 and January 31, 1998 $4,721,000). See Note 18.

O. Future Benefits

The Company has a retirement plan in which all permanent employees may participate after a one-year service period, if they desire. The retirement plan is a combined group registered retirement savings plan and deferred profit-sharing plan, whereby the Company (providing it was profitable in the previous year) matches employees' contributions up to 4% of the employee's salary. Contributions made by the Company to the retirement plan are expensed when they are made.

In addition, for any other future benefit plans, the Company accrues the liability over the estimated remaining service life of the employee. The Company does not provide its employees with post-retirement health, insurance and other benefits at this time.

P. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred without the Company experiencing any interruption to its critical systems or encountering any problems with its business partners, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers or other third parties, have been fully resolved.

Q. Prior Year Amounts

Certain prior years' amounts are reclassified to conform to the current year's presentation.
None of these reclassifications are significant.

2. ACQUISITION

Effective November 1, 1998, the Company's wholly owned subsidiary Work World Enterprises Inc. (Work World) (see Note 18) acquired all of the outstanding shares of Paul John Enterprises Ltd. (Paul John) (see Note 18) for a cash down payment of $2,253,000. During the year ended January 29, 2000, the Company recorded a purchase price adjustment of $737,000. This amount was added to the original purchase price as additional goodwill.

In addition, the agreement stated that there could be a further future earnout amount based on sales and capital expenditures of the operation over the five years subsequent to January 30, 1999, payable no later than April 15, 2004. At January 29, 2000, the Company estimated this earnout to be $2,000,000. This amount has been added to the purchase price as additional goodwill. Paul John owned and operated 19 Work World franchise stores in British Columbia and the Yukon, which are now being operated as corporate stores in the Company's Work World Division.

The acquisition was accounted for by the purchase method, with the results of operations from the acquired business included from the November 1, 1998 acquisition date.

The acquisition resulted in goodwill of $328,000 recorded in the Company's January 30, 1999 fiscal year and goodwill of $2,737,000 recorded in the Company's January 29, 2000 fiscal year. The goodwill is being amortized on a straight-line basis over 26.7 years (January 30, 1999: 27.7 years) which represents the average remaining life of the original franchise agreements plus one extension period.

The net assets acquired were:

Cash	$ 57
Other current assets	7,572
Capital assets	781
Assumed goodwill	537
Acquisition goodwill (see Notes 1G and 8)	328
	9,275
Liabilities assumed	(7,022)
Acquisition cost – during fiscal year ended January 30, 1999	2,253
Acquisition goodwill – purchase price adjustment determined during fiscal year ended January 29, 2000 (see Notes 1G and 8)	737
Acquisition goodwill – future earnout estimated during fiscal year ended January 29, 2000 (see Notes 1G and 8)	2,000
Acquisition cost	$ 4,990

3. PURCHASES OF FRANCHISE STORES

As opportunities arise, both the Mark's and Work World Divisions purchase their division's respective franchise stores for cash and convert them to corporate stores.

Each purchase is accounted for by the purchase method, with the results of the acquired franchise store included from the date of acquisition.

The purchase sometimes results in goodwill, which is being amortized on a straight-line basis. The weighted average remaining amortization period is 23.0 years (January 30, 1999: 22.6 years; January 31, 1998: 4.3 years).

The net assets acquired were:

	1998	1999	2000
Number of stores	2	14	1
Current assets	$ 428	$ 3,160	$ 47
Capital assets	69	510	3
Other assets	57	512	—
Acquisition goodwill (see Notes 1G and 8)	94	969	—
	648	5,151	50
Liabilities assumed	(141)	(831)	—
Acquisition cost	$ 507	$ 4,320	$ 50

4. ACCOUNTS RECEIVABLE

	1998	1999	2000
Receivables from franchise stores			
Mark's stores	$ 5,526	$ 5,597	$ 7,232
Work World stores	2,522	1,744	1,460
Receivables from business account sales	3,131	3,668	4,568
Landlord leasehold rebates receivable	1,222	1,661	1,653
Co-op advertising receivable	1,544	1,142	654
Other accounts receivable	1,125	1,162	1,242
Current portion of notes receivable from Mark's franchises	125	—	—
	15,195	14,974	16,809
Allowance for doubtful accounts related primarily to receivables from franchise stores	(2,551)	(1,610)	(1,799)
	$ 12,644	$ 13,364	$ 15,010

The Company operates in the retail industry in Canada. The amounts receivable from business account sales are receivable from 5,000 customers (January 30, 1999: 4,200 customers; January 31, 1998: 3,700 customers). There are no individually significant clients who could create a credit risk to the Company in its operated stores. Accounts receivable from Mark's franchise stores for inventory purchases, royalties, and other services can have large balances at certain times of the year. The Company has security instruments in place over the franchise operations of Mark's franchisees, usually postponed to the franchisees' principal banker, and other personal security, the value of which may or may not cover the total receivable position. The Company has receivables from Work World franchise stores for royalties, acquisition fees, merchandise, merchandise surcharges and for the costs of other services. In addition, during the fiscal year ended January 29, 2000, the Company assumed supplier payment responsibility for approximately 7% of the Work World franchise stores' annual sales (January 30, 1999: 15%; January 31, 1998: 3%) for inventory provided by the Company to Work World franchise stores or direct to Work World franchise stores from the Company's suppliers. Accounts receivable from Work World franchise stores are unsecured.

5. OTHER CURRENT ASSETS

	1998	1999	2000
Prepaid expenses and supplies	$ 1,780	$ 2,396	$ 2,102
Deposits	375	368	379
Current portion of store opening expenses (see Note 1l)	554	540	742
	$ 2,709	$ 3,304	$ 3,223

6. OTHER ASSETS

	1998	1999	2000
Employee relocation loans	$ 89	$ 26	$ 467
Store opening expenses (see Note 1l)	360	471	823
Other	—	478	324
	$ 449	$ 975	$ 1,614

7. CAPITAL ASSETS

	1998 Cost	1998 Net Book Value	1999 Cost	1999 Net Book Value	2000 Cost	2000 Net Book Value
Land	$ 45	$ 45	$ 45	$ 45	$ —	$ —
Building	452	334	452	312	—	—
Leasehold improvements	4,654	1,144	4,494	689	5,693	1,763
Furniture, fixtures and equipment	18,873	6,993	21,720	7,453	22,633	6,051
Fixtures and equipment under capital leases	8,645	6,696	13,319	9,520	18,437	11,792
Computer equipment and operating software under capital leases	6,346	4,860	9,047	5,512	11,768	6,287
	$39,015	$20,072	$49,077	$23,531	$58,531	$25,893

See Note 2 for the effect on capital assets of the November 1, 1998 acquisition of Paul John. See Note 3 for the effect on capital assets of franchise store purchases.

The Company finances some of its store capital expenditures by selling and then leasing back these capital assets. The gains realized on the sales have been deferred and are being amortized over the terms of the leases. The deferred gain balance at January 29, 2000 is $1,083,000 (January 30, 1999: $890,000 and January 31, 1998: $772,000).

The Company receives landlord inducements on some of its store lease agreements. The amounts received from landlords have been deferred and are being amortized over the term of the store leases. The deferred gain balance at January 29, 2000 is $1,032,000 (January 30, 1999 and January 31, 1998 are nil).

The Company sold and leased back its corporate office building in fiscal 1992. The gain realized on the sale has been deferred and is being amortized over the original 128-month term of the lease. The deferred gain balance at January 29, 2000 is $150,000 (January 30, 1999: $219,000 and January 31, 1998: $288,000).

8. GOODWILL

	1998 Cost	1998 Net Book Value	1999 Cost	1999 Net Book Value	2000 Cost	2000 Net Book Value
Work World acquisition	$ 7,146	$ 6,901	$ 7,146	$ 6,690	$ 7,146	$ 6,479
Paul John acquisition (Note 2)	—	—	865	853	3,602	3,540
Purchased franchise stores (Note 3)	402	294	1,371	1,170	1,345	1,057
	$ 7,548	$ 7,195	$ 9,382	$ 8,713	$12,093	$11,076

See Note 1G.

9. OPERATING CREDIT FACILITIES

The Company's operating credit facilities are:

Facility	Amount	Interest Rate
Extendible 364-day revolving operating facility from a syndication of Canadian chartered banks.	$ 70 million	Rate options based on prime rate (6.5% at January 29, 2000) and bankers' acceptance rates plus margin, if applicable, based on a certain interest coverage test.
Extendible 364-day revolving term credit facility (each advance becomes a non-revolving reducing 5-year term loan) from a syndicate of Canadian chartered banks.	$ 5 million	Rate based on prime rate (6.5% at January 29, 2000) plus margin, if applicable, based on a certain interest coverage test. See Note 10.
Contingent liability demand line to support contingent exposure under foreign exchange and interest rate swap arrangements from a Canadian chartered bank.	$ 5 million	Quoted rates from time to time. See Notes 1M and 13 on financial instruments.
Contingent liability demand line to support contingent exposure under foreign exchange and interest rate swap arrangements from a Canadian chartered bank.	$1.7 million	Quoted rates from time to time. See Notes 1M and 13 on financial instruments.

The $70,000,000 operating line of credit includes limits for letters of credit and is limited to the lesser of $70,000,000 and the sum of 60% of eligible inventories as defined, plus 75% of eligible receivables as defined, plus during June through September and to a maximum of $5,000,000, 40% of eligible franchise receivables as defined. Both the $70,000,000 operating line and the $5,000,000 revolving term credit facility are extendible, at the Company's request and the lenders' discretion, for subsequent 364-day periods. Failing renewal of the $70,000,000 operating line, as long as there has not been an event of default, 50% of the then outstanding amounts under such operating facilities could be converted into non-revolving term loans repayable over 36 months.

Security provided includes a general security agreement, a fixed and floating charge demand debenture registered in various jurisdictions, hypothec on movables registered in Quebec, general assignment of accounts receivable and security under the Bank Act over inventory registered in various jurisdictions. The credit agreements require guarantees and postponements of claim from all material subsidiaries (as defined) secured by general security agreements or fixed and floating charge debentures. There are no such material subsidiaries at January 29, 2000.

10. LONG-TERM DEBT

	1998	1999	2000
Syndicated bank term loan at prime plus margin based on a certain interest coverage test plus one quarter (6.75% at January 29, 2000 and 7.0% at January 30, 1999)	$ —	$ 5,000	$ 4,000
Syndicated bank term loan at prime plus margin based on a certain interest coverage test plus one quarter (6.75% at January 29, 2000 and 7.0% at January 30, 1999). See Note 9.	—	5,000	4,000
Bank term loan, 7.5% interest	5,600	4,200	2,800
Fixture and equipment capital lease obligations – 2000, 9.0% average interest rate over 46 months (1999: 9.0% average interest rate over 45 months; 1998: 8.9% average interest rate over 63 months). See Note 7.	7,125	9,907	12,784
Computer equipment and operating software capital lease obligations – 2000, 10.5% average interest rate over 36 months (1999, 10.1% average interest rate over 29 months; 1998, 10.9% average interest rate over 49 months). See Note 7.	5,123	5,937	6,696
Leaseholds, fixture and equipment loan for DOCKERS® Stores test – non-interest bearing	—	—	1,000
Estimated future earnout payable – on Paul John Enterprises acquisition – non-interest bearing. See Note 2.	—	—	2,000
	17,848	30,044	33,280
Less: amount due within one year	(4,434)	(7,992)	(9,328)
Total	$ 13,414	$ 22,052	$ 23,952

If rates currently available to the Company for interest-bearing, long-term debt (including amounts due within one year), with similar terms and maturities are used, the estimated fair values of fixed rate debt as at January 29, 2000 are $30,251,000 (January 30, 1999: $30,130,000 and January 31, 1998: $18,166,000). The estimated fair values of non-interest bearing long-term debt approximate book value.

On December 4, 1998, the Company obtained a $5,000,000 five-year term facility from a syndication of Canadian chartered banks to refinance a portion of pre-existing bank indebtedness. The loan bears interest at prime plus a margin based on a certain interest coverage test plus one quarter (6.75% at January 29, 2000; 7.0% at January 30, 1999) and is repayable in 20 equal quarterly principal plus interest payments than began on January 31, 1999. Security provided is described in Note 9.

On December 4, 1998, the Company obtained an extendible, 364-day revolving term credit facility and took a $5,000,000 advance which became a non-revolving five-year term facility from a syndication of Canadian chartered banks to finance the acquisition and working capital funding requirements of Paul John. See Notes 2, 9 and 18. The loan bears interest at prime plus a margin based on a certain interest coverage test plus one quarter (6.75% at January 29, 2000; 7.0% at January 30, 1999) and is repayable in 20 equal quarterly principal plus interest payments that began on March 31, 1999. Security provided is described in Note 9.

On December 9, 1996, the Company obtained a $7,000,000, five-year term facility from a Canadian chartered bank to finance the acquisition of Work World. See Note 18. The loan has a fixed interest rate of 7.5% and is repayable in 20 equal quarterly principal plus interest payments that began on March 31, 1997. Security provided is described in Note 9.

The fixtures and equipment under capital lease obligations and the computer equipment and operating software under capital lease obligations are the security for those respective obligations.

On September 8, 1998, the Company entered into an exclusive agreement with Levi Strauss & Co. (Canada) Inc. (Levi) to operate DOCKERS® Stores in Canada. As part of this agreement, during fiscal 2000 Levi advanced $1,000,000 to the Company to finance a portion of the working capital investment and capital cost of building four of the Company's five test stores. The amount advanced does not bear interest and is repayable to Levi within 60 days of the determination that the initial phase of the test is deemed a success as per specific requirements outlined in the agreement between the Company and Levi. If the initial phase is not deemed a success, then amounts advanced by Levi will not be repayable.

Effective November 1, 1998, the Company's wholly-owned subsidiary Work World acquired all of the outstanding shares of Paul John for a cash down payment of $2,253,000. A further $737,000 purchase price adjustment was paid in the year ended January 29, 2000. In addition, there will be a further earnout amount based on sales and capital expenditures of the operation over the five years subsequent to January 30, 1999. At January 29, 2000, the Company has estimated this earnout to be an amount of $2,000,000. The amount does not bear interest and is payable no later than April 15, 2004. See Notes 2 and 18.

The aggregate repayments of principal required to meet long-term debt obligations are:

2001	$ 9,328
2002	$ 8,917
2003	$ 6,040
2004	$ 5,021
2005	$ 3,526
Thereafter	$ 448

11. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has entered into operating lease agreements terminating at various dates to 2014. The Company has also entered into various operating lease agreements for store security systems and office equipment.

The minimum annual rentals, excluding tenant operating costs are:

2001	$ 24,544
2002	$ 24,036
2003	$ 23,532
2004	$ 22,365
2005	$ 21,085
Thereafter	$ 58,826

In addition to minimum annual rentals, contingent rentals may be payable under certain store leases on the basis of sales in excess of stipulated amounts.

Subsidiary companies of the Company are on head leases for some of the Work World franchise stores. Should those franchise stores cease operations before the end of their respective lease terms and be unable to meet their remaining lease liabilities, those subsidiary companies would have a commitment for $1,629,500 on 22 store leases prior to any subleasing to new franchisees or corporate stores.

The Company has previously signed leases for its two Mark's U.S. pilot stores in Grand Rapids, Michigan and Portland, Maine, which stores the Company decided to close in the fiscal year ended January 30, 1999. The minimum annual rental commitment under these leases is $175,022 (U.S.) net of existing subleasing agreements for three years, $107,517 (U.S.) in year four, $nil in year five and $88,460 (U.S.) thereafter. The Company has subleased the Grand Rapids, Michigan location and has subleased approximately one-third of the Portland, Maine location. Subleasing negotiations are in process for the remaining space in the Portland, Maine location. Should the current subleasees default on the subleases, the Company would have an annual commitment for $417,867 (U.S.) prior to any further subleasing for three years, $336,404 (U.S.) in year four, $213,377 (U.S.) in year five and $124,470 (U.S.) thereafter.

The Company enters into commitments with its domestic and foreign suppliers in the ordinary course of business to obtain the merchandise required to generate the following year's planned sales. In the opinion of management, commitments made to date after having

considered the Company's fiscal 2001 forecasts and inventory levels as at January 29, 2000 are consistent with prior years. At January 29, 2000, the Company had letters of credit outstanding for merchandise purchases from foreign suppliers totalling $6,332,048.

Mark's and Work World have merchandise inventory buy-back agreements in place with Canadian chartered banks under which they have agreed to buy back franchise-owned inventory merchandise should the banks foreclose on any of their respective franchisees. In 64 of the Work World buy-back agreements, there is a ceiling on the amount of inventory that has to be purchased. As at January 29, 2000, if there were foreclosures on all franchise stores, where merchandise inventory buy-back agreements are in place, the Company would be required to buy back inventory at 68% of cost which totals $15,100,074 from 94 stores.

12. CAPITAL STOCK

The authorized capital stock of the Company comprises 100,000,000 First Preferred Shares of no par value and an unlimited number of Common Shares of no par value.

The issued capital stock of the Company is:

	Weighted Avg. Common Shares	Common Shares	Capital Stock
2000	27,846,950	27,856,967	$ 32,715
1999	27,475,198	27,866,247	$ 32,696
1998	27,057,691	27,286,347	$ 31,888

During the year ended January 29, 2000, 69,320 Common Shares were issued pursuant to the exercise of employee and director stock options for a total consideration of $111,000.

On March 3, 1999, the Company filed a Notice of Intention to make a Normal Course Issuer Bid for the purchase of up to 5% of its outstanding Common Shares during the period March 5, 1999, to March 4, 2000. Purchases of Common Shares pursuant to the Normal Course Issuer Bid were affected by a registered investment dealer, on behalf of the Company, through the facilities of The Toronto Stock Exchange. The price paid by the Company for any Common Shares purchased by it was the market price of the shares at the time of the purchase. The Company funded the purchase of Common Shares pursuant to the Normal Course Issuer Bid from its working capital. During the period March 5, 1999 to January 29, 2000, 78,600 Common Shares were purchased at an average price of $2.94 per Common Share for a total of $233,000 (including commissions) of which $92,000 was charged to capital stock and $141,000 was charged to retained earnings.

During the year ended January 30, 1999, 579,900 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of $808,000.

Also during the year ended January 30, 1999, the Preferred Shares held in the Company's U.S. subsidiary by three investors were exchanged for 999,337 Common Shares of the Company pursuant to stock exchange agreements dated January 18, 1995. Since the Company could require that such exchanges take place, these holdings have been treated as equity of the Company and as part of the Common Shares and weighted average Common Shares outstanding since January 18, 1995. Thus, this share issuance did not affect the dollar amount of capital stock or number of Common Shares or weighted average Common Shares outstanding.

During the year ended January 31, 1998, 283,926 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of $311,000 and 1,621,633 Common Shares were issued on the conversion of the Company's $3,000,000 8% Convertible Subordinated Debentures.

The Company has a Stock Option Plan that was approved by shareholders at the June 26, 1996 Annual and Special Meeting of Shareholders. On April 6, 1999, the Board of Directors approved a resolution authorizing that the maximum number of Common Shares reserved for issuance pursuant to options granted under the Stock Option Plan be increased to 4,175,000. This amendment to the Stock Option Plan was approved by shareholders at the June 24, 1999 Annual and Special Meeting of Shareholders.

Incentive Stock Option Plan

The Incentive Stock Option Plan provides that the Board of Directors of the Company may, from time to time in its discretion, grant to directors, officers, employees and consultants of the Company, or any affiliates of the Company, the option to purchase Common Shares of the Company provided that the number of Common Shares reserved for issuance under the Stock Option Plan shall not exceed 4,175,000 Common Shares. The plan also specifies that the maximum number of Common Shares issuable pursuant to options at any time be limited to 10% of the total Common Shares outstanding.

The price per Common Share shall not be less than the closing price of the Company's shares on The Toronto Stock Exchange on the trading day immediately preceding the date of the grant. Generally, options are

exercisable for up to seven years from the date of the grant. The Board of Directors has the discretion to grant options that are exercisable for a longer or shorter period than seven years, provided that no option shall be exercisable for longer than 10 years. Unless otherwise determined by the Board at the time of grant, an option may be exercised for 20% of the shares immediately upon grant and thereafter for each completed 12-month period for the next four years, provided that an option may not be exercised as to the initial 20% until the holder has been providing services to the Company for at least one year. The Company does not provide financial assistance under the Stock Option Plan.

This table presents a summary of the status of the Company's Incentive Stock Option Plan at January 29, 2000, January 30, 1999 and January 31, 1998.

	January 31, **1998**		January 30, **1999**		January 29, **2000**	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,603,366	$ 1.42	2,007,400	$ 1.64	1,662,800	2.08
Options granted	729,000	1.94	235,300	4.25	75,000	2.85
Options exercised	(283,926)	1.08	(579,900)	1.44	(69,320)	1.59
Options forfeited	(41,040)	1.98	—	—	(76,480)	3.03
Outstanding at end of year	2,007,400	$ 1.64	1,662,800	$ 2.08	1,592,000	2.09
Options exercisable at end of year	1,107,440		855,100		1,120,300	

Performance-Based Stock Option Plan

The Company granted to one of its senior executives a special grant of options (the "Special Options") to purchase 250,000 Common Shares of the Company at the closing price of the Company's shares on The Toronto Stock Exchange on November 11, 1998 which was $3.85. These Special Options will vest based on the common stock of the Company trading on The Toronto Stock Exchange at an average for a 90-day period (using the Closing Price each day), at or above certain levels as follows: one-third or 83,333 options will vest at $6.00; another third or 83,333 will vest at $8.35; and the last third, or 83,334 will vest at $10.65. The options expire on November 11, 2005.

The table below presents a summary of incentive and performance-based options to purchase Common Shares granted to directors, officers and employees outstanding as at January 29, 2000:

Number of Common Shares	Exercise Price	Expiry Date
25,000	$1.45	October 25, 2000
200,000	$1.65	January 25, 2002
379,320	$1.45	March 28, 2003
68,880	$1.76	December 9, 2003
25,000	$1.95	January 29, 2004
621,100	$2.38	March 26, 2004
25,000	$4.20	November 6, 2004
222,700	$4.25	April 2, 2005
250,000	$3.85	November 12, 2005
25,000	$2.55	April 2, 2006

At January 29, 2000, 1,120,300 of the 1,842,000 Common Share options outstanding are vested and exercisable.

The Company introduced a Shareholders' Rights Plan in 1995. The Rights Plan was subsequently confirmed by the shareholders of the Company at the Annual and Special Shareholders meeting held on June 26, 1996. At the Annual and Special Meeting of the Shareholders held June 24, 1999, the shareholders approved an amended and restated Rights Plan.

Pursuant to the Shareholders' Rights Plan Agreement, each shareholder received one Right for each outstanding Common Share they held. The Rights have no economic value and may not be exercised unless and until (a) an individual acquires the beneficial ownership of 20% or more of the outstanding Common Shares of the Company without Board approval, other than pursuant to a Permitted Bid, (b) the commencement of, or first public announcement of the intent of any person, other than the Company or any subsidiary of the Company, to commence a Take-over Bid, or (c) the date upon which a Permitted Bid ceases to be a Permitted Bid, or in any circumstances, such earlier or later date as may be determined by the Board of Directors, acting in good faith (collectively, the "Separation Time"). Without a postponement of the Separation Time by the Board of Directors, the occurrence of any of the above-mentioned events entitles all other shareholders to exercise their Rights and to purchase additional Common Shares at a 50% discount to market value.

The Rights expire upon the termination of the annual meeting of the Company in the year 2002, unless earlier terminated by the Board.

13. FINANCIAL INSTRUMENTS

Interest Rate

At January 29, 2000, the Company had fixed its borrowing rate on $25,000,000 of its anticipated short-term borrowing requirements at a 7.135% all-in rate. See Note 20.

At January 30, 1999, the Company had fixed its borrowing rate at a 6.60% all-in rate on 92% of its actual short-term borrowing requirements during the year ended January 29, 2000. During fiscal 2000, the Company fixed its borrowing rate on the remainder of its short-term borrowing requirements at a 6.36% all-in rate. These activities caused the Company to pay $59,000 more in interest during the fiscal year ended January 29, 2000 than if the Company had not fixed its borrowing rate.

At January 31, 1998, the Company had fixed its borrowing rate at a 5.95% all-in rate on 70% of its actual short-term borrowing requirements during the year ended January 30, 1999. During fiscal 1999, the Company fixed its borrowing rate on the remainder of its short term borrowing requirements at a 6.55% all-in rate. These activities caused the Company to pay $84,000 less in interest during the fiscal year ended January 30, 1999 than if the Company had not fixed its borrowing rate.

The mark-to-market value of the interest rate swap contracts is a $102,992 unrecorded loss at January 29, 2000 (January 29, 1999: $22,779 unrecorded gain and January 31, 1998: $8,249 unrecorded gain) based on the Company's floating rate interest cost at January 29, 2000 of 6.50% (January 30, 1999: 6.75%, January 31, 1998: 6.0%).

Foreign Exchange

At January 29, 2000, the Company had nine foreign exchange collar arrangements for committed and anticipated foreign merchandise purchases during the Company's fiscal year ending January 27, 2001 totalling $9,748,000 (U.S.). Under the terms of the collars, the Company bears the exchange risk or benefit on foreign purchases when the Canadian dollar trades against the U.S. dollar within the following ranges and time periods.

Collar Exercise Date	Floor Rate	Ceiling Rate	Contract Amount in U.S. $
February 1, 2000	1.46750	1.47450	$ 616,000
March 7, 2000	1.46550	1.47450	$ 78,000
April 4, 2000	1.46450	1.47450	$ 635,000
May 2, 2000	1.46350	1.47450	$ 319,000
June 6, 2000	1.46200	1.47450	$ 1,000,000
July 5, 2000	1.46100	1.47450	$ 1,000,000
August 1, 2000	1.45250	1.46950	$ 3,100,000
September 6, 2000	1.45100	1.46950	$ 1,825,000
October 3, 2000	1.45000	1.46950	$ 1,175,000

At January 29, 2000, the unrealized loss on foreign exchange collars based on a January 29, 2000 exchange rate of $1.4423 was $133,137.

At January 29, 2000, the Company also had 19 foreign exchange fixed contract arrangements in place for committed and anticipated foreign merchandise purchases during the Company's next fiscal year ending January 27, 2001 totalling $25,021,000 (U.S.). Under the terms of the contract arrangements, the Company has fixed its exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar at the following rate and time periods:

Time Period/Date for Exercising Contract	Fixed Rate	Contract Amount in U.S. $
February 1, 2000 to February 29, 2000	1.48650	$ 2,300,000
February 1, 2000 to February 29, 2000	1.47775	$ 190,000
February 14, 2000	1.47320	$ 895,000
February 29, 2000	1.44790	$ 375,000
March 1, 2000 to March 31, 2000	1.48640	$ 1,700,000
March 1, 2000 to March 31, 2000	1.47720	$ 480,000
April 3, 2000 to April 28, 2000	1.47660	$ 1,080,000
April 3, 2000 to April 28, 2000	1.48630	$ 2,100,000
April 4, 2000	1.44680	$ 285,000
May 1, 2000 to May 31, 2000	1.47610	$ 2,905,000
June 1, 2000 to June 30, 2000	1.47560	$ 1,660,000
July 5, 2000	1.44410	$ 157,000
July 5, 2000 to July 31, 2000	1.47505	$ 3,320,000
August 1, 2000	1.44340	$ 787,000
August 29, 2000	1.44270	$ 1,237,000
October 3, 2000	1.44190	$ 1,000,000
October 31, 2000	1.44120	$ 1,630,000
November 28, 2000	1.44050	$ 1,300,000
January 3, 2001	1.43960	$ 1,620,000

At January 29, 2000, the unrealized loss on the foreign exchange fixed contract arrangements for U.S. dollars based on a January 29, 2000 exchange rate of $1.4423 was $615,533.

At January 30, 1999, the Company had 17 foreign exchange collar arrangements totalling $27,442,002 (U.S.) and three fixed contract arrangements totalling 189,000,000$ (Portuguese Escudos) in place for committed and anticipated foreign merchandise purchases for the fiscal year ended January 29, 2000. During the fiscal year ended January 29, 2000, the Company also purchased and exercised $2,630,000 (U.S.) in fixed foreign exchange contracts to settle foreign exchange purchases. Under the terms of the collar arrangements, the Company bore the exchange risk or benefit on foreign merchandise purchases when the Canadian dollar trades against the U.S. dollar within the range of the average floor amount of $1.5053 ($41,308,446 Cdn., the floor) and the average ceiling amount of $1.5320 ($42,041,147 Cdn., the ceiling). Under the terms of the foreign exchange fixed contracts, the Company bore the exchange risk or benefit when the Canadian dollar traded against the Portuguese Escudo outside of an average rate of 0.008816 ($1,666,224 Cdn.). The fixed U.S. dollar contracts purchased and exercised during the year were at an average rate of 1.4765 ($3,883,195 Cdn.).

As at January 30, 1999, based on a closing U.S. dollar exchange rate of $1.5074 (Cdn.) and Portuguese Escudo exchange rate of $.00885 (Cdn.), the unrealized net losses from U.S. dollar collars were $79,825 and the unrealized net gains on Portuguese Escudo fixed contracts were $6,458. During the fiscal year ended January 29, 2000, the various arrangements for foreign merchandise purchases cost the Company $975,455 more than if the arrangements had not been entered into.

At January 31, 1998, the Company had a foreign exchange collar arrangement in place for committed and anticipated foreign merchandise purchases during the Company's next fiscal year totalling $18,390,500 (U.S.). Under the terms of the collar, the Company bore the exchange risk or benefit on foreign merchandise purchases when the Canadian dollar traded against the U.S. dollar within the range of the average floor amount of $1.394 ($25,636,357 Cdn., the floor) and the average ceiling amount of $1.465 ($26,942,083 Cdn., the ceiling). At January 31, 1998, there was no unrealized gain or loss on the foreign exchange collar based on a January 31, 1998 exchange rate of $1.4563 ($26,782,085 Cdn.). During the fiscal year ended January 30, 1999, this collar arrangement caused the Company to spend $1,146,127 less on foreign merchandise purchases than if the arrangements had not been entered into.

14. CORPORATE AND FRANCHISE SALES

	1998	1999	2000
Company-owned store sales	$ 252,016	$ 283,401	$ 314,547
Mark's franchisee-owned store sales	62,696	61,801	63,340
Work World franchisee-owned store sales	87,495	72,266	59,783
	$ 402,207	$ 417,468	$ 437,670

Total corporate and franchise sales have been shown as a separate item at the top of the Consolidated Statement of Earnings and Retained Earnings to illustrate the size of the total business. Only the Company-owned store sales and the franchise royalties earned on franchise-owned store sales, initial franchise fees earned on the sale of franchise stores, other sundry income from franchise operations and Company costs related to franchise operations form part of the Consolidated Statements of Earnings and Retained Earnings.

15. FRANCHISE ROYALTIES AND OTHER

	1998	1999	2000
Royalties from Mark's franchise stores	$ 4,054	$ 3,965	$ 4,075
Sundry income from Mark's franchise operations	42	20	—
Royalties from Work World franchise stores	3,281	2,863	2,470
Fees from the sale of Work World franchises	79	15	11
Sundry income from Work World franchise operations	148	153	84
	$ 7,604	$ 7,016	$ 6,640
Number of franchise stores at year end			
Mark's	31	29	29
Work World	139	105	102
	170	134	131

16. U.S. OPERATIONS

The Company decided to end its U.S. test in the fiscal year ended January 30, 1999. The impact of the conclusion of the U.S. test was a $2,961,000 additional charge to pre-tax earnings in fiscal 1999, or 6 cents per share after tax, and the elimination of operating losses from this test and reduced current assets going forward.

Expenses incurred in fiscal 2000 relating to the closure of the Company's U.S. test have been charged against this provision. The Company has $657,000 of the provision remaining at January 29, 2000, for additional closing costs expected to be incurred during the fiscal year ended January 27, 2001.

	1998	1999	2000
Sales, excluding inter group	$ 1,675	$ 1,665	$ —
Deduct:			
Cost of sales	1,234	1,134	—
Front-line expenses	1,355	1,198	—
Back-line expenses	306	427	—
Operating loss before income taxes	(1,220)	(1,094)	—
Provisions for closure costs	—	2,961	—
Loss before income taxes	(1,220)	(4,055)	—
Income tax benefit	(487)	(1,780)	—
Net loss	$ (733)	$ (2,275)	$ —
Net loss per share	(3)¢	(8)¢	— ¢
Current assets	$ 1,241	$ 900	$ —
Capital and other assets	170	—	—
Total assets	$ 1,411	$ 900	$ —

17. OTHER COSTS

	1998	1999	2000
Cost related to the unsuccessful, unsolicited bid by an unrelated third party to purchase all the outstanding Common Shares of the Company	$ 416	$ —	$ —
Work World severance and relocation costs	435	—	—
	$ 851	$ —	$ —

18. INCOME TAXES

The provision for income taxes varies from the amount computed by applying the combined federal and provincial income tax rates as follows:

	1998		1999		2000	
Federal and provincial income taxes	44.3%	$ 5,614	43.9%	$ 4,966	44.4%	$ 5,632
Increase resulting from						
Losses carried forward, unrecognized	0.4%	54	—	—	—	—
Other	1.5%	185	2.5%	278	2.3%	291
Provision for income taxes	46.2%	$ 5,853	46.4%	$ 5,244	46.7%	$ 5,923

Future income taxes result from the effect of transactions that are recognized in different periods for financial and tax-reporting purposes. See Note 1N. The major components of the Company's future tax assets and liabilities are:

	1998	1999	2000
Other assets	$ (616)	$ (851)	$ (448)
Capital assets	2,188	3,750	2,631
Goodwill	50	27	(85)
Deferred gains	469	487	928
Future income taxes	$ 2,091	$ 3,413	$ 3,026

Mark's Work Wearhouse Ltd. has an August tax year-end. Mark's Work Wearhouse Inc. (the Company's inactive U.S. subsidiary) has a January tax-year end. Work World Enterprises Inc. (inactive, see note A below) has a July tax year-end. Paul John Enterprises Ltd. (inactive, see note B below) and Paul John Clothing Co. Ltd. (inactive, see note B below) have August tax year-ends. The Company has $10,019,000 of goodwill remaining on its balance sheet that is not deductible for tax purposes. Losses carried forward for tax purposes are:

	1998	1999	2000
Capital losses – Mark's Work Wearhouse Ltd.	$ 611	$ 611	$ 611
Non-capital loss – Mark's Work Wearhouse Inc.	$ 1,439	$ 1,439	$ 1,439

For tax planning and administration purposes, during the fiscal year ended January 29, 2000, the Company carried out the following reorganization of its legal structure:

A. On May 30, 1999, the assets and liabilities of Work World Enterprises Inc. were sold to the Company at net book value. Work World Enterprises Inc. is in the final stages of dissolution; and

B. On August 29, 1999 the assets and liabilities of Paul John Enterprises Ltd. and Paul John Clothing Co. Ltd. were sold to the Company at net book value. Paul John Enterprises Ltd. and Paul John Clothing Co. Ltd. are in the final stages of dissolution.

19. SEGMENTED INFORMATION

The Company is a specialty retailer of primarily men's apparel and footwear operating in Canada and operated two Mark's pilot stores in the U.S. until January 30, 1999. See Note 16. Financial information by operating group is:

	1998	1999	2000
Sales, Earnings and Depreciation and Amortization			
Corporate and franchise sales			
Mark's and Corporate Services Canada	$ 312,047	$ 329,023	$ 345,810
Work World Canada	88,497	86,866	89,201
DOCKERS® Stores Canada	—	—	2,666
Mark's United States	1,797	1,865	—
Inter group	(134)	(286)	(7)
	$ 402,207	$ 417,468	$ 437,670
Earnings (loss) before interest, taxes, depreciation and amortization			
Mark's and Corporate Services Canada	$ 23,193	$ 26,104	$ 28,378
Work World Canada	(311)	510	43
DOCKERS® Stores Canada	—	—	(2,116)
Mark's United States	(1,051)	(915)	—
Mark's United States provision for closure costs	—	(2,961)	—
	$ 21,831	$ 22,738	$ 26,305
Depreciation and amortization excluding goodwill amortization (front-line and back-line)			
Mark's and Corporate Services Canada	$ 6,574	$ 7,612	$ 8,562
Work World Canada	84	122	858
DOCKERS® Stores Canada	—	—	183
Mark's United States	169	327	—
	$ 6,827	$ 8,061	$ 9,603
Goodwill amortization			
Mark's and Corporate Services Canada	$ 268	$ 277	$ 289
Work World Canada	—	39	86
	$ 268	$ 316	$ 375
Cash flows related to Capital items			
Capital Expenditures			
Mark's and Corporate Services Canada	$ (721)	$ (1,816)	$ (127)
Work World Canada	(149)	(812)	(277)
DOCKERS® Stores Canada	—	—	(1,511)
Mark's United States	(4)	(555)	—
	$ (874)	$ (3,183)	$ (1,915)
Acquisitions of subsidiaries			
Work World Canada	$ —	$ (2,196)	$ (737)
Purchases of franchise stores			
Mark's and Corporate Services Canada	$ (507)	$ (1,814)	$ —
Work World Canada	—	(2,506)	(50)
	$ (507)	$ (4,320)	$ (50)
Financial Position			
Total assets			
Mark's and Corporate Services Canada	$ 99,079	$ 119,281	$ 126,441
Goodwill on acquisition of Work World (net of accumulated amortization)	6,901	6,690	6,479
Work World Canada	3,616	19,907	19,530
Goodwill on acquisition of Paul John (net of accumulated amortization)	—	853	3,540
DOCKERS® Stores Canada	—	—	5,195
Mark's United States	1,411	900	—
Inter group	(5,390)	(14,639)	(18,101)
	$ 105,617	$ 132,992	$ 143,084

20. Subsequent Events

A. Between January 29, 2000 and March 10, 2000, the Company fixed its borrowing rate on an additional $8,000,000 of its short-term borrowing requirements at a 6.78% all-in rate. See Note 13.

B. On February 3, 2000 options on 215,000 Common Shares were granted to senior employees of the Company at an exercise price of $1.75, expiring on February 3, 2007.

21. Selected Quarterly Financial Information (Unaudited)

	First	Second	Third	Fourth	Total
52 weeks ended January 29, 2000					
Corporate store sales	$ 57,235	$ 62,736	$ 77,146	$ 117,430	$ 314,547
Gross margin percentage	41.7%	40.1%	41.2%	40.0%	40.6%
Earnings (loss) before income taxes and goodwill amortization	$ (1,853)	$ (554)	$ 1,884	$ 13,208	$ 12,685
Net earnings (loss) per Common Share before goodwill amortization	(4)¢	(1)¢	3¢	26¢	24¢
Net earnings (loss) per Common Share	(4)¢	(2)¢	3¢	26¢	23¢
Corporate stores at end of quarter	166	167	173	177	177
52 weeks ended January 30, 1999					
Corporate store sales	$ 48,419	$ 51,686	$ 67,336	$ 115,960	$ 283,401
Gross margin percentage	41.4%	39.4%	41.6%	39.5%	40.3%
Earnings (loss) before income taxes and goodwill amortization	$ (1,599)	$ (1,936)	$ 2,105	$ 12,742	$ 11,312
Net earnings (loss) per Common Share before goodwill amortization	(4)¢	(4)¢	4¢	26¢	22¢
Net earnings (loss) per Common Share	(4)¢	(4)¢	4¢	25¢	21¢
Corporate stores at end of quarter	123	126	160	165	165
53 weeks ended January 31, 1998					
Corporate store sales	$ 39,332	$ 47,270	$ 63,019	$ 102,395	$ 252,016
Gross margin percentage	41.3%	38.3%	42.0%	40.3%	40.5%
Earnings (loss) before income taxes and goodwill amortization	$ (2,369)	$ (1,939)	$ 1,750	$ 15,230	$ 12,672
Net earnings (loss) per Common Share before goodwill amortization	(5)¢	(4)¢	3¢	31¢	25¢
Net earnings (loss) per Common Share	(6)¢	(4)¢	3¢	31¢	24¢
Corporate stores at end of quarter	110	111	115	118	118

Glossary of Terms

The following glossary defines terms used throughout this report.

Back-line Expenses: All expenses associated with supporting stores but not directly related to face-to-face customer contact. These expenses include non-store personnel and administrative expenses, distribution centre costs, computer costs (net of recoveries from the front-line), interest long-term, franchise bad debts and non store depreciation and amortization.

Base Rent: Rent payable to the landlord prior to paying for Common Area Maintenance (CAM) and property taxes.

Blend: The percentage that results from dividing the sales of a category by the total Company's corporate store sales.

Business Objective: A measurable target set for each management employee upon which job evaluation and bonuses are based.

Business-to-Business Sales: From the Company's perspective, these sales are apparel and footwear sales, sometimes with embroidery work added, for the account of a corporate customer either directly to the corporate customer or to the corporate customer's employees.

Business-to-Consumer Electronic Sales: See e-Commerce.

CAM: The Common Area Maintenance cost component of the total rent payable to a landlord.

CAMM: The Canadian Apparel Market Monitor. This organization provides statistical data on the Canadian apparel market. The Company subscribed to the service until January 1999.

Capital Expenditures: Costs recognized as a portion of long-term assets. These costs relate to the purchase of leasehold improvements, furniture, fixtures, equipment and capital lease purchases.

Captive Label: Labels owned by Mark's or Work World but not associated with the name of the store. These include WindRiver, Denver Hayes, Dakota, Canyon Creek, etc.

College of Retail Excellence: The College of Retail Excellence consists of internal training programs and external courses that help the Company's employees develop new skills and talents to enable them to reach their potential, contribute at their maximum levels, and meet the changing needs and expectations of the Company's customers.

Commodity Business: Basic staple businesses where changes in product styles occur infrequently (e.g., men's work pants).

Conservative Forecast: The lower end of the Company's published forecast range as depicted on page 22, and based upon the assumptions on page 21.

Corporate Services: The back-line services group that provides the operating divisions with the appropriate level of high-quality, standardized support in the areas of customer service, human resources, warehouse distribution, store design, real estate, systems, finance and accounting and CEO leadership, while ensuring that the divisions are adhering to the Company's corporate value system.

Corporate Store Strategy, Work World Division: A strategy whereby new stores in the Work World Division are opened as corporate stores rather than franchise stores and, as opportunities present themselves, franchise stores will be purchased and converted to corporate stores. The Company believes this is the preferred strategy in its Work World Division as the Company believes that, over time, its corporate store business model will deliver better financial returns than the franchise store model.

Destination Store: A store that is large enough and dominant enough in its retail location to draw its own customer traffic and is not dependent upon its neighbours. A destination store is typically free-standing, but can be located in a strip mall or power centre. The Company's Mark's Division operates destination stores.

DOCKERS® or DOCKERS® Stores: The Company's DOCKERS® Stores Division operation excluding Mark's, Work World and Corporate Services.

EBIT: Earnings before interest and income taxes.

EBITDA: Earnings before interest, income taxes and depreciation and amortization: more specifically, sales revenues available after all merchandise costs, front-line and back-line expenses, except for interest, depreciation and amortization, goodwill amortization and income taxes are subtracted, and the franchise royalties are added.

e-Commerce Sales: From the Company's perspective, these sales are apparel and footwear sales to customers executed electronically through the Internet and fulfilled through the Company's Mark's Division coast-to-coast store network. The Company sometimes also refers to these sales at Business-to-Consumer Electronic Sales.

Franchise Operations: Mark's and Work World franchise operating results consist of franchise royalties, initial franchise fees and other sundry income from franchisees minus bad debt provisions on franchise receivables. Deducted from that amount is an estimate of the franchise operation's share of selected back-line expenses based on each division's franchise sales as a percentage of each division's total system sales applied to those selected back-line costs. In addition, the Mark's franchise operations are charged with the front-line cost of two district managers.

Front-line Contribution: Sales revenues available after all merchandise costs and front-line expenses are subtracted.

Front-line Expenses: Expenses incurred from having direct contact with customers, including store personnel, advertising, occupancy, store variable and store other expenses. Depreciation and amortization of store assets and short-term interest costs are also included.

Funded Debt: The aggregate of all interest-bearing and non-interest bearing contracted debt on the Company's balance sheet (currently bank indebtedness, bank term debt, capital lease debt, leasehold fixtures and equipment loan for the DOCKERS® Stores test and estimated future earnout payable on the Paul John acquisition).

Gross Margin: Sales revenues available after all merchandise costs.

Gross Margin Return on Investment (GMROI): A financial ratio comparing a division's or the Company's gross margin dollars to the division's or Company's average inventory at cost. This ratio provides an indication of the division's or Company's inventory efficiency.

Gross Margin Return on Space: A financial ratio comparing a division's or the Company's gross margin dollars to a division's or to the Company's average square feet of selling. This ratio provides an indication of the division's or the Company's space efficiency.

Inventory Turnover: A measure of the level of investment in inventory by a division or the Company, calculated by averaging inventory at retail on hand at the start of the period and at each month end during the period for a division or the Company and dividing that amount into the sales for the period of a division or the Company.

Key Results: One to three challenging, measurable business targets set by individuals that cause hearts to race and palms to sweat.

L'Équipeur: Mark's store name in the province of Quebec, Canada.

Macro: A term used to describe "big picture" or "global" factors.

Mark's: Mark's Work Wearhouse and L'Équipeur divisional operations excluding Work World, DOCKERS® and Corporate Services.

Micro Marketing: A term used to describe product and marketing activities for a very specific store or group of stores, e.g. product and marketing activities for the Thunder Bay, Ontario store.

Net Front-line Contribution: Sales revenues available after all merchandise costs and front-line expenses are subtracted and the franchise royalties and other are added.

Net Earnings before Goodwill Amortization: Sales revenues available after all merchandise costs and front-line and back-line expenses and non-recurring items and income taxes are subtracted and franchise royalties and other are added, but before goodwill amortization is subtracted.

New Economy: From the Company's perspective refers to the growth opportunity that may be provided by e-Commerce Sales.

Occupancy: Base rent plus Common Area Maintenance (CAM) plus property taxes plus business taxes and licences.

"On Concept" Store: A Mark's store that is 8,000 to 15,000 sq. ft. in size; is a destination store; occupies a dominant position in its retail location (preferably free-standing but can be in a strip mall or power centre); has good parking, signing and access; has properly implemented all store anchors; and leasehold improvements, fixtures, lighting and cleanliness meet current corporate standards.

Optimistic Forecast: The upper end of the Company's published forecast range as depicted on page 22 and based upon the assumptions on page 21.

Performance Contract: A single page document signed by an employee and management that contains the individual's Business Objective and Key Results.

Post Audit: A detailed review of the return on investment and return on capital employed provided by each new, relocated or refurbished store and by purchased franchise stores against pre-set corporate hurdle rates to determine whether the project was a financial success or not.

Private Label: A label that uses the store's name, e.g., Mark's jeans or Work World jeans or DOCKERS® khakis and thus brings an instant association between product and store.

Purchase Markup: The difference between the selling price and landed cost of an item purchased for resale in the Company's stores.

Rent, Other Operating Leases, Computer Services and Interest on Long-term Debt Coverage: A financial ratio comparing the Company's fixed commitments under lease, and long-term agreements and interest-bearing contracted debt obligations to the earnings available to meet them. This ratio is intended to provide a better measure of the inherent risk in the business than is provided by the total liabilities-to-equity ratio, due to the large rent component in a retail company's risk profile.

Rolling Average Funded Debt-to-Equity Ratio: A financial ratio comparing the Company's average funded debt over the most recent 12 months to the Company's average equity over that same most recent 12 months.

Sales and Product Managers: The store people who provide excellent and incomparable service to our customers while managing replenishment and presentation of a variety of products carried in our stores.

Sales Per Resident: Our measure of market penetration calculated by dividing sales from a division's or the Company's total corporate and franchise stores within a region or the entire country by the population of that region, or the entire country.

Same-store Sales Increase: A calculation of the sales increase on a comparative basis, derived by comparing sales of two consecutive years, exclusive of all stores opened or closed within that two-year period.

Seasons: The Company breaks the year down into two seasons for operating purposes: Spring – February through July; Fall – August through January.

Shrink: The difference between opening inventory and closing year-end inventory after accounting for all purchases, costs of goods sold, markdowns, customer adjustments and other discounts.

SKU: The most specific Stock Keeping Unit for our merchandise (e.g. a navy, size 34" waist, 32" leg, wrinkle-resistant pant).

Strategic Plan: The Company's most recent five-year Plan covering the fiscal years ending January 2001, 2002, 2003, 2004 and 2005.

Total Liabilities: The aggregate of all liabilities, current and long-term, on the Company's balance sheet, including deferred gains.

Total Liabilities-to-Equity Ratio: A financial ratio comparing the Company's total liabilities to shareholders' equity. This ratio provides creditors with some idea of the Company's ability to withstand losses without impairing the interests of creditors.

Total Sales or Total System Sales: Combined sales from Mark's corporate stores, Mark's franchise stores, Work World's corporate stores, Work World's franchise stores and DOCKERS® corporate stores.

Trendex North America: This organization provides statistical data on the Canadian apparel and footwear markets. The Company has subscribed to this service since February 1999.

Work World: Work World Divisional operations excluding Mark's Work Wearhouse, DOCKERS® Stores and Corporate Services.

Y2K: A term used to describe the Year 2000 Issue. The Year 2000 Issue arises because many computerized systems use two digits rather than four digits to identify a year. Consequently, date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 date is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date.

ELEVEN-YEAR FINANCIAL REVIEW (UNAUDITED)

(amounts in thousands of dollars except where indicated)	Jan. 2000	Jan. 1999	Jan. 1998	Jan. 1997
Statement of Earnings				
Total sales	437,670	417,468	402,207	303,756
Mark's franchise store retail sales	63,340	61,801	62,696	60,682
Work World franchise store retail sales*	59,783	72,266	87,495	22,172
Mark's corporate store retail sales***	282,463	267,136	249,339	219,492
Work World corporate store retail sales*	29,418	14,600	1,002	N/A
DOCKERS® corporate store retail sales	2,666	N/A	N/A	N/A
Mark's U.S. corporate store retail sales***	N/A	1,665	1,675	1,410
Gross Margin	127,824	114,238	102,093	83,969
Percent	40.64%	40.31%	40.51%	38.01%
Operating expenses	108,159	95,555	87,866	74,368
Interest expense	4,017	3,365	2,332	1,849
Franchise royalties and other	6,640	7,016	7,604	4,981
Depreciation and amortization including goodwill amortization	9,978	8,377	7,095	4,423
Operating earnings (loss) before U.S. closure provision, discontinued operations and income taxes	12,310	13,957	12,404	8,310
Provision for closure of U.S. pilot stores	0	2,961	0	0
Earnings (loss) from discontinued operations	0	0	0	0
Income taxes (recovery)	5,923	5,244	5,853	4,387
Net earnings (loss)	6,387	5,752	6,551	3,923
EBITDA	26,305	22,738	21,831	14,582
EBIT	16,327	14,361	14,736	10,159
Statement of Cash Flows**				
Funds flow (deficiency) from operations	16,876	15,815	13,609	7,315
Change in non-cash working capital	(6,577)	(8,910)	(19,610)	7,416
Investing	(4,142)	(10,579)	(1,885)	(10,125)
Financing	(7,093)	6,035	(3,514)	7,058
Net cash generated (deployed)	(936)	2,361	(11,400)	11,664
Financial Position				
Current assets	101,475	96,360	75,810	70,377
Current liabilities	57,296	56,525	44,397	45,304
Working capital	44,179	39,835	31,413	25,073
Capital assets (net)	25,893	23,531	20,072	14,608
Total assets	143,084	132,992	105,617	94,822
Long-term debt excluding current portion	23,952	22,052	13,414	11,952
Shareholders' equity	59,571	53,306	46,746	36,884
Average capital employed	88,101	73,972	57,858	43,775
Share Data (per Common Share data in dollars)				
Common Shares outstanding at year end (000s)	27,857	27,866	27,286	25,381
Weighted average number of Common Shares outstanding (000s)	27,847	27,475	27,058	24,976
Earnings (loss) per Common Share	0.23	0.21	0.24	0.16
Funds flow (deficiency) from operations per Common Share	0.61	0.58	0.50	0.29
Price/Earnings ratio (year end)	8.26	15.48	15.42	12.31
Book value per share (year end)	2.14	1.91	1.71	1.45
Market value				
– high	3.60	5.00	4.45	2.20
– low	1.50	2.95	1.95	1.10
– year end	1.80	3.25	3.70	1.97
Dividends declared	0	0	0	0
Financial Ratios				
Return on average shareholders' equity	11.3%	11.5%	15.7%	11.4%
Return on average capital employed	18.5%	19.4%	25.5%	23.2%
Current ratio	1.77	1.70	1.71	1.55
Total liabilities to equity ratio	1.40	1.49	1.26	1.57
Rent, other operating leases, computer services and interest on long-term debt coverage	1.42	1.47	1.58	1.45
Statistics				
Mark's Division corporate stores same store sales increase (decrease)	(0.2%)	4.8%	8.3%	4.2%
Work World Division corporate stores same store sales increase (decrease)	(0.2%)	N/A	N/A	N/A
Mark's Division corporate operations inventory turnover	2.0	1.9	2.2	2.3
Work World Division corporate operations inventory turnover	1.0	1.1	0.5	N/A
Mark's Division corporate store retail square feet (year end)	1,195,053	1,111,985	1,019,244	914,622
Work World Division corporate store retail square feet (year end)	142,979	131,210	5,929	N/A
Mark's Division corporate store sales per square foot****	239	252	256	249
Work World Division corporate stores sales per square foot****	217	N/A	N/A	N/A
No. of Mark's Division corporate stores end of period	127	122	114	107
No. of Work World Division corporate stores end of period*	45	41	3	0
No. of DOCKERS® stores end of period	5	N/A	N/A	N/A
No. of Mark's U.S. corporate stores end of period	0	2	1	1
No. of Mark's franchise stores end of period	29	29	31	33
No. of Work World franchise stores end of period*	102	105	139	150
Mark's total staff	1,917	2,206	2,052	1,826
Work World Division total staff*	284	306	93	34
DOCKERS® Stores Division total staff	70	N/A	N/A	N/A

* Mark's acquired Work World effective December 1, 1996 and during fiscal 1999, 31 Work World franchise stores were converted to corporate stores.

** The statement of cash flows has been restated to exclude non-cash items, primarily capital assets acquired through capital leases in the Company's case, as per Canadian Institute of Chartered Accountants recommendations for cash flow statements.

Jan. 1996	Jan. 1995	Jan. 1994	Jan. 1993	Jan. 1992	Jan. 1991	Jan. 1990
262,575	247,768	220,055	190,082	185,694	234,190	214,540
64,313	66,143	61,989	56,629	52,952	55,872	41,904
N/A	N/A	N/A	N/A	N/A	N/A	N/A
197,416	181,625	158,066	133,453	132,742	178,318	172,636
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
846	N/A	N/A	N/A	N/A	N/A	N/A
73,481	66,853	58,067	48,390	46,783	55,725	64,064
37.06%	36.81%	36.74%	36.26%	35.24%	31.25%	37.11%
66,589	61,134	55,126	49,449	50,818	63,663	55,199
1,672	1,139	2,186	2,130	2,354	3,310	1,709
4,266	4,299	4,071	3,473	3,438	3,619	2,676
3,112	2,364	3,560	3,030	3,805	3,112	2,335
6,374	6,515	1,266	(2,746)	(6,756)	(10,741)	7,497
0	N/A	N/A	N/A	N/A	N/A	N/A*
0	0	0	0	(2,564)	128	(44)
3,257	200	0	0	(561)	(4,259)	3,119
3,117	6,315	1,266	(2,746)	(8,759)	(6,354)	4,334
11,158	10,018	7,012	2,414	(3,161)	(4,191)	11,497
8,046	7,654	3,452	(616)	(6,966)	(7,303)	9,162
4,860	8,354	6,478	313	(1,157)	(2,894)	6,847
(2,716)	(3,735)	360	(7,537)	(14,758)	14,297	(3,460)
(7,741)	(4,834)	1,418	474	2,361	(4,238)	(2,229)
274	1,862	(5,435)	10,468	(7,092)	(89)	(563)
(5,323)	1,647	2,821	3,718	(20,646)	7,076	595
57,101	56,074	50,173	38,195	44,387	51,268	55,663
34,845	31,217	30,923	23,325	39,991	44,488	41,851
22,256	24,857	19,250	14,870	4,396	6,780	13,812
11,853	7,439	5,590	8,909	8,955	12,306	9,268
72,187	64,541	56,395	47,635	54,528	72,465	72,958
4,025	3,000	3,000	8,166	3,280	8,465	5,218
32,154	28,922	20,745	15,667	10,753	19,512	25,889
34,175	27,924	24,845	20,325	22,572	31,516	30,450
24,585	24,400	23,140	18,292	9,842	9,842	9,843
24,515	23,187	22,392	15,794	9,842	9,840	9,963
0.13	0.27	0.06	(0.17)	(0.89)	(0.65)	0.44
0.20	0.36	0.29	0.02	(0.12)	(0.29)	0.69
9.62	6.30	23.33	(4.41)	(1.17)	(1.77)	5.91
1.31	1.19	0.90	0.86	1.09	1.98	2.63
1.85	1.95	1.79	1.40	1.50	2.65	2.80
1.15	1.12	0.74	0.70	0.75	0.90	1.07
1.25	1.70	1.40	0.75	1.04	1.15	2.60
0	0	0	0	0	0	0
10.2%	25.4%	7.0%	(20.8%)	(57.9%)	(28.0%)	18.1%
23.5%	27.4%	13.9%	(3.0%)	(30.9%)	(23.2%)	30.1%
1.64	1.80	1.62	1.64	1.11	1.15	1.33
1.25	1.23	1.72	2.04	4.07	2.71	1.82
1.43	1.51	1.11	0.70	0.35	0.18	1.67
1.3%	13.7%	14.6%	3.0%	(18.3%)	(1.0%)	13.1%
N/A	N/A	N/A	N/A	N/A	N/A	N/A
2.1	2.4	2.4	2.3	1.4	2.5	2.9
N/A	N/A	N/A	N/A	N/A	N/A	N/A
801,627	657,775	600,028	587,881	547,685	547,983	609,317
N/A	N/A	N/A	N/A	N/A	N/A	N/A
268	289	268	240	242	296	285
N/A	N/A	N/A	N/A	N/A	N/A	N/A
102	94	91	91	86	91	104
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
1	N/A	N/A	N/A	N/A	N/A	N/A
38	42	43	45	57	53	42
N/A	N/A	N/A	N/A	N/A	N/A	N/A
1,657	1,776	1,419	1,199	1,138	1,290	1,683
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A

*** Excludes inter-group sales.

**** Calculated on stores open and at the same size for an entire season. The Company breaks the year into two seasons.

N/A Not Applicable

CORPORATE GOVERNANCE

Mark's Work Wearhouse Ltd. is an Alberta corporation. The Alberta Business Corporations Act makes it clear that it is the responsibility of the Board of Directors to manage the business and affairs of the Company. The Board discharges this responsibility by selecting and holding accountable management to whom the Board delegates operations. Business and affairs, and operations are to be managed in the best interests of the shareholders toward the goal of maximizing the long-term value of the Company to shareholders.

The key governance issues facing the Company's Board relate to seeking the appropriate balance between structures and mechanisms that facilitate management's capacity to manage the business and those that facilitate appropriate stewardship by the Board. The Board recognizes the need for, and encourages management, led by the President and Chief Executive Officer, to make clear and appropriate executive decisions and to be strong leaders. The need is not to rein in management but rather to equip the Board with the capacity to exercise its responsibilities, to be good critics as well as supporters and constructive skeptics. A healthy friendly tension is appropriate.

During fiscal 2000 (January 31, 1999 to January 29, 2000), the Company held four Board meetings in person and four Board telephone meetings. During fiscal 2000, two directors attended all eight meetings and six directors attended seven of the eight meetings.

During fiscal 2000, one Governance Committee meeting, two Compensation Committee meetings and two Audit Committee meetings were held. All respective committee members attended all their respective committee meetings.

The following analysis uses definitions contained in the Toronto Stock Exchange Report on Corporate Governance ("Governance Guidelines") and is numbered in response to the specific Governance Guidelines with an indication of the Company's alignment. This analysis was adopted by the Board of Directors of the Company on April 28, 2000.

TSE Corporate Governance Guidelines	Does Mark's Align?
1. Board should explicitly assume responsibility for stewardship of the corporation and specifically for: a) Adoption of a strategic planning process;	Yes
b) Identification of principal risks and implementing appropriate risk management systems;	Yes
c) Succession planning, including appointing, training and monitoring senior management;	Yes
d) Communications policy; and	Yes
e) Integrity of internal control and management information systems.	Yes
2. Majority of Directors should be "unrelated" (free from conflicting interest).	Yes
3. Disclose for each Director whether the Director is related and how that conclusion was reached.	Yes
4. a) Appoint a Committee responsible for proposing new nominees for appointment/assessment of Directors; and	Yes
b) Composed exclusively of outside (non-management) Directors, a majority of whom are unrelated.	Yes
5. Implement a process for assessing the effectiveness of the Board, its Committees and individual Directors.	Yes
6. Provide orientation and education programs for new Directors.	Yes
7. Consider size of Board with a view to improving effectiveness.	Yes
8. Review the adequacy and form of compensation of Directors in light of risks and responsibilities.	Yes
9. Board Committees should generally be composed of outside Directors, a majority of whom are unrelated.	Yes
10. Appoint a Committee responsible for approach to corporate governance issues and the guidelines.	Yes
11. a) Define limits to management's responsibilities by developing mandates for the Board and the Chief Executive Officer; and	Yes
b) Board should approve the Chief Executive Officer's corporate objectives.	Yes
12. Establish procedures to enable the Board to function independently of management.	Yes
13. a) The Audit Committee should have a specifically-defined mandate;	Yes
b) All members should be outside Directors.	Yes
14. Implement a system to enable individual Directors to engage outside advisors, at the Corporation's expense.	Yes

Comments

At Mark's Work Wearhouse, this is accomplished by the Board's reviewing and approving management-developed strategic planning methodology and the Strategic Plan. The Board delegates to management the responsibility for tabling with the Board, for discussion purposes, a draft Strategic Plan. The Board's input is incorporated by management and, following an iterative process, the Strategic Plan is adopted by the Board at a subsequent meeting thereof. The Board uses the Strategic Plan as a tool to measure the Company's progress over time.

The principal risks of the Company's business are outlined under the Management's Discussion and Analysis of Risks and Uncertainties. The Board as a whole and the Audit Committee of the Board in particular review these risks, set policy, when appropriate, for the management of these risks, and receive reports from the Company's management on how these risks are being assessed and managed.

The Board takes responsibility for appointing and monitoring senior management. As part of the human resources component of the Board meeting, the Board regularly has senior management explain its succession plans with respect to the Company's managers and provide comments on support/backup/succession for their own positions. The Board encourages management to participate in appropriate professional and personal development activities, courses and programs, and supports management's commitment to the training and development of all permanent employees. An amount is allocated in the Company's budgets each year for these activities.

The Board has instructed senior management to develop a clearly articulated policy for effective two-way communications with shareholders, employees, suppliers, other stakeholders and the public in general, including the media. The Board recognizes this to be, except in rare circumstances, solely the province of management and not the Board. The Board believes that the quality of the Company's communication with outsiders is an element to be considered in evaluating management.

The Board, directly and through its Audit Committee, assesses the integrity of the Company's internal control and management information systems. The Audit Committee meets with senior management and the independent auditors twice each year to discuss and review these matters, and then reports its findings to the Board of Directors.

In fiscal 2000, the Board consisted of eight members: six were unrelated directors and two were members of management. The directors to be proposed by the Board to the shareholders for election at the June 15, 2000 Annual Meeting are six of the existing directors of which two are members of management. The Board has expressed its intent to maintain a significant proportion of independent unrelated directors. Currently, the Board is searching for two more independent unrelated directors and pursuant to the Company's Articles, the elected Board will appoint them once the search is complete.

The Company does not have a "significant shareholder" defined by the Governance Guidelines as a shareholder with the ability to exercise a majority of votes for the election of directors.

The two management directors are related to the Company. The principal occupation/employment of each of the other outside directors are set out in the Annual Report under the heading "Directors."
The Board has considered the relationship of each outside director to the Company and has concluded that none of the outside directors are related.

The Board has constituted a Governance Committee that has the responsibility, among other things, to make recommendations to the Board with respect to the nominees of the Board. Nominees recommended are based on the Governance Committee's assessment of the Board and of the individual directors, reflecting the Board's expertise and needs and being mindful of potential conflicts of interest.

The Governance Committee consists of three outside, unrelated directors.

The Governance Committee is responsible for the continuing assessment of the Board as a whole and the Audit, Compensation and Governance Committees.

The Governance Committee, in its April 28, 2000 report to the Board, assessed the Board as effective in discharging its statutory and fiduciary obligations. The report also assessed the Audit, Compensation, and Governance Committees as effective in the discharge of their duties.

The Board, on the recommendation of the Governance Committee, struck a three-member committee that assessed the effectiveness of each individual director. This committee found that each of the returning nominees for director ably discharges their roles and responsibilities as a director and adds value to the governance of the Company. The Committee went on to add that each retiring director also ably discharged their roles and responsibilities as a director, added value to the governance of the Company and thanked them for their respective periods of service.

At the request of the Governance Committee, the Company developed an orientation package during fiscal 1997 for new Board members. An added benefit of the development of this orientation package is that a more comprehensive information package is now available for all Board members.

The Governance Committee reports periodically on the impact of size upon the effectiveness of the Board of Directors, ensuring that the Board brings together the right mix of skills, backgrounds, ages and attitudes as is appropriate to the stewardship of the Company.

In its April 28, 2000 report to the Board, the Governance Committee reported and concluded that the number of directors in the range of six to eight is appropriate for a company of the size and complexity of Mark's Work Wearhouse.

In its June 7, 1995 report, the Governance Committee recommended that the Compensation Committee seek a report from an outside expert on Board compensation and then base director compensation on the results of the report. The Governance Committee also strongly recommended that the Company use shares as currency, at least in part, for compensating directors. The Compensation Committee has used independent compensation studies in assessing the level of senior executive compensation. In its April 2, 1998 report to the Board, the Compensation Committee addressed senior executive evaluations, senior executive compensation and director compensation. The recommendations of the Compensation Committee, including those for director remuneration, were adopted at the Company's April 2, 1998 Board meeting and include options on Company shares as partial compensation for directors.

The Company has three Board Committees, the Governance Committee, the Compensation Committee and the Audit Committee. All three committees are made up of three outside, unrelated Directors.

The Governance Committee is responsible for developing and monitoring the Company's approach to governance issues and for responding to the governance guidelines of The Toronto Stock Exchange.

The Governance Committee completed position descriptions for the Board and the President and Chief Executive Officer which have been approved by the Board. These position descriptions are reviewed regularly by the Governance Committee and amended and updated when appropriate.

During the past fiscal year, the Compensation Committee reviewed the compensation and performance of the President and Chief Executive Officer, and Chief Financial Officer.

In its February 3, 2000 report to the Board, the Compensation Committee, based on a report received from a national compensation and benefits firm, recommended and the Board approved a retirement compensation plan for the current President and Chief Executive Officer of Mark's Work Wearhouse Ltd.

In its April 28, 2000 report to the Board, the Compensation Committee addressed and the Board approved senior executive compensation and director compensation.

The Board annually approves the Business Objective and Key Results for which the President and Chief Executive Officer is responsible and accountable. The Business Objective and Key Results for fiscal 2001 and a review of the results for fiscal 2000 are published in the annual report.

In December 1995, the Board made a decision to appoint an outside independent director as Chairman of the Board based on the position description for a non-management Chairman completed by the Governance Committee. The non-executive Chairman's responsibilities include ensuring that adequate and proper information is made available to the Board and maintaining good lines of communication between the Board, and the President and Chief Executive Officer and other members of senior management.

The Governance Committee has also recommended and the Board has approved that adequate time be allocated in the Board agenda at each of the March and October Board meetings for the outside directors to meet without management present. These sessions have as agenda items at least the following: (i) evaluation of senior management; (ii) assessment of overall corporate progress and progress against the Strategic Plan; (iii) assessment of overall management capability, strength and depth; (iv) succession planning; (v) Board governance matters; and (vi) issues on the minds of outside directors. The Board has met on several occasions this past year without management present.

The roles and responsibilities of the Audit Committee have been defined and include responsibility for overseeing management reporting on internal control and management information systems, compliance with the Company's Code of Conduct, and the normal statutory responsibilities.

The Audit Committee has direct communication channels with the Company's independent auditors and regularly meets with the auditors without management present.

The Company has no formal internal audit process at this time, a decision reviewed periodically by the Audit Committee and with which the Audit Committee and the independent auditors concur.

The Audit Committee meets regularly with management and the external auditors to review the annual audited financial statements of the Company, the auditors' report thereon and Management's Discussion and Analysis included in the Company's annual report. The Audit Committee then recommends to the Board the approval of the annual audited financial statements.

The Audit Committee has reviewed a special report on internal control prepared by the external auditors in 1996. Each year the Audit Committee receives regular normal course updates from the external auditors on the Company's internal controls and monitors management's implementation of the recommendations that the Audit Committee, management and the external auditors agree need to be acted upon.

The Audit Committee annually reviews the Information Circular and the Annual Information Form of the Company and the "Post Audit" analysis of the Company's capital projects.

The Audit Committee meets regularly with management to discuss and approve any new accounting or financial policies, including foreign currency and interest rate hedging policies.

The Audit Committee has reviewed annually all material provisions requiring management's judgment and best estimates.

The Audit Committee consists of three outside, unrelated directors.

The Governance Committee is responsible for approving the engagement by individual directors of outside advisors at the expense of the Company in appropriate circumstances. Any such engagement is subject to the approval of the Governance Committee and requires senior management to be informed of any such action.

DIRECTORS

Art Berliner (2) (3)
Art is a founding partner of the Walden Group, an experienced international venture capital firm managing funds in excess of $1.0 billion U.S. Art was invited to join the Board when Walden made a $1.6 million investment in Mark's Work Wearhouse Inc., in January of 1995, exchangeable into shares of the Company, to fund the pilot phase of the Company's U.S. test. The share exchange was completed on April 3, 1998.

Art's experience as a director of private and public companies in the United States, including the U.S. retail sector, provides a valuable resource for the Company.

Michael Fox (1)
Mike, a director of the Company since 1981, became the non-management Chairman of the Board in January 1996. Currently owner of a successful business venture and in private consulting practice in Whistler, British Columbia, Mike received his Bachelor of Commerce degree at the University of Manitoba and became a member of the Institute of Chartered Accountants of British Columbia in 1970. He was a partner of a national accounting firm in Vancouver until February 1981.

William Hardstaff (2)
Bill is a retired businessman, a Director of Alta Fund Investment Corp. and Tiverton Petroleums Ltd. He is a graduate of the University of Saskatchewan with a Bachelor of Engineering degree (1950), and has also completed the Banff School of Advanced Management Program. Previously, Bill served as president of American Eagle Petroleums Ltd. and Sultran Ltd., as well as senior vice president of Trimac Ltd. Bill has been a member of the Board since March 1986 and will be retiring from the Board in June 2000.

Michael Lambert
Chief Financial Officer of the Company, Mike joined the Company in the spring of 1994 and was elected to the Board in June 1995. He is a Chartered Accountant and has over 15 years' progressive experience in financial management of major public Canadian companies including vice president and controller of George Weston Limited and vice president of finance for the Southam Newspaper Group. Mike obtained his C.A. designation during his four years with a major accounting firm in Toronto.

Bruce R. Libin Q.C. (1) (3)
Bruce Libin, a director of the Company since July 1978, is president of B.R. Libin Capital Corp., an investment, merchant banking and investment banking advisory services company. Prior to founding that company in February 1995, Bruce was a partner with the law firm Bennett Jones. Mr. Libin is a director of several public and private corporations and community organizations.

Garth Mitchell
President and Chief Executive Officer of the Company, Garth served for four years as a line officer in the Canadian Navy after graduating from the University of Manitoba. He began his retail career with the Hudson's Bay Company in 1969, was a founding partner and president of a successful women's specialty retail business in 1976 and in 1983 joined Comark, Inc., the Canadian division of a very large international retailing operation. While at Comark, Garth was president of their two largest Canadian divisions. He joined the Company in May 1991 and the Board in June 1991. He was Chief Operating Officer from 1992 to 1995, President and Chief Operating Officer from 1995 to 1996; President and Chief Executive Officer from 1996 to present.

Wallace Murray (2)
Formerly senior vice president with the Company (retired in 1991) and a Board member since May 1982, Wallace has consulted for the Company on a variety of retail issues. Wallace joined Mark's Work Wearhouse in 1979 after a successful career with the Hudson's Bay Company as a divisional merchandise manager of men's and children's wear. Wallace will be retiring from the Board in June 2000.

Jake Scudamore (1) (3)
Jake is president of Scudamore and Associates Inc., a corporate consulting company specializing in strategic planning, marketing and new media. He sits on an advisory board for George Brown College and was formerly vice president, marketing, of The Sports Network (TSN). Under his guidance, TSN won numerous national and international awards in virtually all marketing disciplines. Jake is a recipient of the Commemorative Medal for the 125th Anniversary of Canadian Confederation. Jake has been a director of the Company since January 1994.

Key:
(1) Audit Committee Member
(2) Compensation Committee Member
(3) Governance Committee Member

Corporate Information

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Fax (403) 255-6005

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Website
www.marks.com

Industrial and Corporate Wear
Jim Haigh (403) 258-7790

Property Management
Doreen Busby (403) 258-7571

Real Estate
Kirk Marleau (403) 212-7656

Store Design
Michel St. Jean (403) 258-7502

Please call if we can assist you with any of your clothing or footwear needs.

Investor Information

Shareholders with inquiries regarding share transfer requirements, lost certificates, changes of address, or the elimination of duplicate mailings should contact the Company's transfer agent, Montreal Trust in Calgary, Alberta, (403) 267-6800.

Investor Relations Inquiries

Investors seeking other information about the Company may contact Karen Bentley at (403) 258-7572 or Karen.Bentley@marks.com

Internet Site

To access Mark's corporate and divisional financial information, including quarterly reports and news releases visit our Internet site http://www.marks.com

Notice of Annual Meeting

The Annual Meeting of Shareholders will be held in the Britannia Room of The Westin Hotel in Calgary, Alberta on Thursday, June 15, 2000 at 11:00 a.m.

The cover and text stock of this year's annual report is acid free, oxygen bleached and elemental chlorine free. Printed in Canada.

Senior Officers

Corporate Services

Garth Mitchell
President and Chief Executive Officer

Michael Lambert
Chief Financial Officer

John Murphy
Senior Vice President, Treasurer and Secretary

Robin Lynas
Chief Information Officer

Michel St. Jean
Vice President, Store Design

Linda Mathiesen
Vice President, Human Resources and Customer Service

Kirk Marleau
Vice President, Real Estate

Randy Wiebe
Vice President, Controller

Mark's Division

Paul Wilson
Chief Operating Officer

Richard Harrison
Senior Vice President, Merchandising

Work World Division

Michael Strachan
Chief Operating Officer

Richard MacMillan
Vice President, Merchandising

DOCKERS® Stores Division

Cathy Prosser
General Manager

Bankers

Canadian Imperial Bank of Commerce, Calgary
Bank of Nova Scotia, Calgary
National Bank of Canada, Calgary

Legal Counsel

Bennett Jones
Barristers and Solicitors, Calgary

Auditors

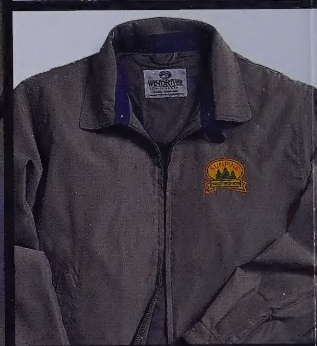
PricewaterhouseCoopers LLP
Chartered Accountants, Calgary

Transfer Agent

Montreal Trust Company of Canada, Calgary

Listing of Common Shares

The Toronto Stock Exchange
Trading symbol – MWW or Mark Wrk



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